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LISTING PARTICULARS
DATED AUGUST 7, 2013

NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES
OR ISRAEL

€250,000,000 9% Senior Notes due 2023

issued by

ALTICE FINCO S.A

Altice Finco S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg (the "Senior Notes Issuer" or the "Issuer") and a wholly-owned subsidiary of Altice VII S.à r.l. ("Altice VII"), offered €250 million aggregate principal amount of its 9% senior notes due 2023 (the "New Senior Notes"). The New Senior Notes will mature on June 15, 2023. The Senior Notes Issuer will pay interest on the New Senior Notes semi-annually in cash in arrears on each January 15 and July 15, commencing on January 15, 2014.

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

The gross proceeds from the sale of the New Senior Notes were deposited in an escrow account (the "Escrow Account") in the name of the Trustee (as defined herein) on behalf of the holders of the New Senior Notes pending satisfaction of the Escrow Release Condition (as defined herein). The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent (as defined herein) certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing (each as defined herein) will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and all indebtedness incurred by the Senior Notes Issuer and the Existing Senior Secured Notes Issuer on the date of the release of such proceeds from the escrow account would have been permitted by the covenants in their respective financing arrangements. If the Escrow Release Condition is not satisfied prior to July 15, 2013 or upon the occurrence of certain other events, the New Senior Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the initial issue price of the New Senior Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date (as defined below).

The New Senior Notes are senior obligations of the Senior Notes Issuer and, for so long as the proceeds from the offering of the New Senior Notes are held in the escrow account described above, the New Senior Notes are secured by a first-ranking pledge over the Senior Notes Issuer's rights under the escrow agreement governing such escrow account and the assets in such escrow account.

Following the release of the proceeds from the offering of the New Senior Notes from the escrow account, the New Senior Notes will be guaranteed on a senior subordinated basis (the "Senior Notes Guarantees") by Altice VII, Altice Financing S.A. (the "Existing Senior Secured Notes Issuer"), Cool Holding Ltd. ("Cool Holding"), H. Hadaros 2012 Ltd. ("SPV1"), Altice Pool S.à r.l. ("Altice Pool"), Altice Holdings S.à r.l. ("Altice Holdings"), Altice West Europe S.à r.l. ("Altice West Europe"), Altice Caribbean S.à r.l. ("Altice Caribbean"), upon completion of the ABO Refinancing, by Altice Blue One SAS ("ABO") and green.ch AG ("Green") and, upon completion of the Cabovisao Refinancing by

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Altice Portugal, S.A. ("Altice Portugal") and Cabovisão — Televisão por Cabo, S.A. ("Cabovisao") (such guarantors, collectively, the "Senior Notes Guarantors").

Following the release of the proceeds from the offering of the New Senior Notes from the escrow account, the New Senior Notes and the Senior Notes Guarantees will be secured by (i) a first-ranking pledge over all of the share capital of the Senior Notes Issuer, (ii) second ranking pledges over all of the share capital of the Existing Senior Secured Notes Issuer, Cool Holding and Altice Pool, (iii) a second-ranking pledge over the Cool Shareholder Loan (as defined herein) and (iv) second-ranking pledges of the Senior Notes Proceeds Loans (as defined herein). The collateral securing the New Senior Notes and the Senior Notes Guarantees (other than the pledge over all of the share capital of the Senior Notes Issuer) also secure, on a first-ranking basis, the obligations of the Senior Notes Guarantors under the Senior Secured Debt (as defined herein). See "*General Description of our Business and the Offering—The Offering*", "*Summary Corporate and Financing Structure"* and "*Risk Factors—Risks Relating to the New Senior Notes and the Structure*".

See "Risk Factors" beginning on page 35 for a discussion of certain risks that you should consider in connection with an investment in any of the New Senior Notes.

The New Senior Notes and the Senior Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Senior Notes Issuer is offering the New Senior Notes only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act. For a description of certain restrictions on the transfer of the New Senior Notes see "Plan of Distribution" and "Transfer Restrictions".

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

The New Senior Notes are in registered form in denominations of €100,000 and integral multiples of €1,000 above €100,000. The New Senior Notes are only issued in minimum denominations of €100,000. As of June 19, 2013 (the "Issue Date") the New Senior Notes are being represented by one or more global notes that were delivered through Euroclear SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Interests in each global note will be exchangeable for definitive notes only in certain limited circumstances. See "*Book-Entry, Delivery and Form*".

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

Global Coordinators and Joint Bookrunners

Goldman Sachs International **Morgan Stanley**

Joint Bookrunners

Crédit Agricole CIB **Credit Suisse** **Deutsche Bank**

THIS DOCUMENT CONSISTS OF THE LISTING PARTICULARS (THE "LISTING PARTICULARS") IN CONNECTION WITH THE APPLICATION TO HAVE THE NEW SENIOR NOTES (AS DEFINED BELOW) LISTED ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND ADMITTED FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE (THE "LISTING") . THESE LISTING PARTICULARS ARE PROVIDED ONLY FOR THE PURPOSE OF OBTAINING APPROVAL OF ADMISSION OF THE NOTES TO THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND ADMISSION FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE AND SHALL NOT BE USED FOR OR DISTRIBUTED FOR ANY OTHER PURPOSE. THESE LISTING PARTICULARS DO NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE NEW SENIOR NOTES AND THESE LISTING PARTICULARS HAVE NOT BEEN FILED WITH, OR REVIEWED BY, ANY NATIONAL OR LOCAL SECURITIES COMMISSION OR REGULATORY AUTHORITY OF ISRAEL, THE UNITED STATES, THE UNITED KINGDOM, FRANCE, GERMANY, BELGIUM, THE NETHERLANDS, OR ANY OTHER JURISDICTION, NOR HAS ANY SUCH COMMISSION OR AUTHORITY PASSED UPON THE MERITS, ACCURACY OR ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY MAY BE UNLAWFUL AND MAY BE A CRIMINAL OFFENSE. REFERENCES IN THESE LISTING PARTICULARS TO THE "OFFERING MEMORANDUM" ARE TO THE OFFERING MEMORANDUM DATED JUNE 14, 2013 PURSUANT TO WHICH THE NEW SENIOR NOTES WERE ISSUED.

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

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

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

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

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

The Senior Notes Issuer offered the New Senior Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Senior Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

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

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

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

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

The Senior Notes Issuer and Altice VII have prepared this Offering Memorandum solely for use in connection with this offering and for applying to the Luxembourg Stock Exchange for the New Senior Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

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

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

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

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

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

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

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

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

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

Internal Revenue Service Circular 230 Disclosure

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO U.S. INVESTORS

Each purchaser of the New Senior Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "Transfer Restrictions". The New Senior Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the

United States and are subject to certain restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Prospective purchasers are hereby notified that the seller of any New Senior Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the New Senior Notes, see "*Transfer Restrictions*". The New Senior Notes may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of New Senior Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Senior Notes Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the New Senior Notes shall require the publication by the Senior Notes Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an "offer of New Senior Notes to the public" in relation to any New Senior Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe to the New Senior Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

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

Luxembourg This Offering Memorandum has not been approved by and will not be submitted for approval to the Luxembourg Supervision Commission of the Financial Sector (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering or sale in Luxembourg. Accordingly, the New Senior Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Prospectus Act and implementing the Prospectus Directive.

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

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

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

The Netherlands The New Senior Notes (including rights representing an interest in each global note that represents the New Senior Notes) may only be offered or sold in The Netherlands to qualified investors (as defined in the Prospectus Directive), unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another member state of the European Union (the "EU"). Article 5:3 Financial Supervision Act (the "FSA") and article 53 paragraph 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA

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

Switzerland The New Senior Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This Offering Memorandum, as well as any other material relating to the New Senior Notes which are the subject of the offering contemplated by this Offering Memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations (SR 220) and does not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers' Association. The New Senior Notes will not be listed on the SIX Swiss Exchange Ltd or any other Swiss stock exchange or regulated trading facility and, therefore, the documents relating to the New Senior Notes, including, but not limited to, this Offering Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or the listing rules of any other Swiss stock exchange or regulated trading facility. The New Senior Notes are being offered in Switzerland by way of a private placement (i.e., to a small number of selected, hand picked investors only), without any public advertisement and only to investors who do not purchase the New Senior Notes with the intention to distribute them to the public.

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

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

Neither the Issuer nor the Initial Purchasers have, directly or indirectly, offered or sold any New Senior Notes or distributed or published this Offering Memorandum, any prospectus, form of application, advertisement or other document or information in Portugal relating to the New Senior Notes and will not take any such actions in the future, except under circumstances that will not be considered as a public offering under article 109 of the Portuguese Securities Code *(Código dos Valores Mobiliários*—the “Cód.VM”) approved by Decree-Law 486/99 of 13 November 1999, as last amended by Decree-Law no. 18/2013, of 6 February 2013.

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

NOTICE TO ISRAELI INVESTORS

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

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

DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in this Offering Memorandum refers to Altice VII and its subsidiaries (after giving effect to the Transactions). See “*Summary Corporate and Financing Structure*” and the “*The Transactions*”.

Definitions of certain term and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see “Glossary” on page G-1 of this Offering Memorandum.

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

“2012 Transaction” collectively refers to the Take Private Transaction, the refinancing of certain indebtedness of Cool Holding and HOT, the entering into of the Existing Revolving Credit Facility Agreement, the issuing of the Senior Secured Issuer Pledged Proceeds Notes (other than the AH Proceeds Loan), the making of the Existing Senior Notes Proceeds Loan and the offering and sale of the Existing Notes.

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

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

“ABO Refinancing” has the meaning given to such term in “The Transactions”.

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

“Aggregate Portuguese Guarantee Limit” refers to €95 million, representing the maximum aggregate amount of obligations (i) guaranteed by Altice Portugal and Cabovisao under the Portuguese Guarantees and (ii) secured by the Portuguese Law Collateral granted by Altice Holdings, Altice West Europe (if applicable), Altice Portugal and Cabovisao, which limitation applies to all indebtedness so guaranteed and/or secured on an aggregate basis.

“AH Proceeds Loan” refers to the intercompany loan to be made by the Existing Senior Secured Notes Issuer as lender to Altice Pool, and any successor entity, as borrower in connection with the Transactions.

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

“Altice Caribbean” refers to Altice Caribbean S.à r.l. a private limited liability company incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of the Transactions. See “*Summary Corporate and Financing Structure*”.

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

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

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

“Altice West Europe” refers to Altice West Europe S.à r.l. a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of the Transactions. See “*Summary Corporate and Financing Structure*”.

“Altice West Europe Proceeds Loan” refers to the intercompany loan to be made by Altice Holdings as lender to Altice West Europe as borrower in connection with the Coditel Acquisition.

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

"Cabovisao Proceeds Notes" refers to (i) the outstanding bonds issued by Cabovisao and subscribed for by Altice Holding and (ii), if the ONI Transaction is consummated, the bonds to be issued by Cabovisao and subscribed for by Altice Holdings in connection with the ONI Transaction.

"Cabovisao Refinancing" has the meaning given to such term in "The Transactions".

"Clearstream" refers to Clearstream Banking, *société anonyme.*

"Coditel Acquisition" has the meaning given to such term in "The Transactions".

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

"Coditel Holdco" refers to Coditel Holding Lux II S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg.

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

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

"Coditel Purchase Agreement" has the meaning given to such term in "The Transactions".

"Coditel Refinancing" has the meaning given to such term in "The Transactions".

"Combined Entities" refers to Cabovisao, Group Outremer Telecom, Cool Holding (for the purposes of balance sheets) or HOT (for the purposes of statements of income), Green, Coditel Holding, Le Cable Martinique and Le Cable Guadeloupe, and their collective subsidiaries, as the combined financial reporting group.

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

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

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

"Covenant Party Pledged Proceeds Loans" refers to, collectively the ABO Proceeds Loan, the Altice West Europe Proceeds Loan, the Cabovisao Proceeds Notes, the Le Cable Proceeds Loans and the Outremer Proceeds Loans.

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

"Escrow Agent" refers to Citibank, N.A., London Branch, acting in its capacity as escrow agent under the Escrow Agreements.

"Escrow Agreement" refers to the escrow agreement to be entered into on the Issue Date between the Senior Notes Issuer and the Escrow Agent pursuant to which the gross proceeds from the offering of the New Senior Notes will be held in an escrow account for the benefit of the holders of the New Senior Notes pending satisfaction of the Escrow Release Condition.

"Escrow Release Certificate" refers to the officer's certificate to be delivered by an officer of the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan.

"Escrow Release Condition" refers to delivery of the Escrow Release Certificate.

"Escrow Release Date" refers to the date identified in the Escrow Release Certificate on which the proceeds of the New Senior Notes will be released from escrow.

"Euroclear" refers to Euroclear Bank SA/NV.

"Existing Cabovisao Bridge Facility" refers to the facility agreement, dated March 6, 2013 (as amended and restated on April 18, 2013), among, *inter alios*, Altice Holdings, as the borrower, Altice VII, as the parent, Altice Portugal and Cabovisao, as original guarantors, Goldman Sachs International, Morgan Stanley Bank International Limited and Crédit Agricole Corporate and Investment Bank, as the arrangers, and Wilmington Trust (London) Limited as agent and security agent.

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

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

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

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

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

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

"Existing Indentures" collectively refers to the Existing Senior Notes Indenture and the Existing Senior Secured Notes Indenture and "Existing Indenture" refers to the Existing Senior Notes Indenture or the Existing Senior Secured Notes Indenture, as the context requires.

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

"Existing Revolving Credit Facility" refers to the revolving facility agreement, dated November 27, 2012, as amended and restated on December 12, 2012, as further amended, restated, supplemented or otherwise modified from time to time among, *inter alios,* the Existing Senior Secured Notes Issuer as borrower, the lenders from time to time party thereto, Citibank International PLC as facility agent and Citibank, N.A., London Branch as security agent.

"Existing Senior Notes" refers to the $425 million aggregate principal amount of $9^7/_8$% senior notes due 2020 issued by the Senior Notes Issuer under the Existing Senior Notes Indenture.

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

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

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

"Existing Senior Secured Notes" collectively refers to the €210 million aggregate principal amount of 8% senior secured notes due 2019 and the $460 million aggregate principal amount of $7^7/_8$% senior secured notes due 2019 issued by the Existing Senior Secured Issuer under the Existing Senior Secured Notes Indenture.

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

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

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

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

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

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

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

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

"HOT Management Options" has the meaning given to such term in "Management and Governance".

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

"HOT Minority Shareholder Agreements" has the meaning given to such term in "Management and Governance".

"HOT Minority Shareholder Call Options" has the meaning given to such term in "Management and Governance".

"HOT Minority Shareholder Option Exercises" has the meaning given to the term "Minority Shareholder Option Exercises in the "Description of Notes".

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

"HOT Net" refers to HOT Net Internet Services Ltd.

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

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

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

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

"HOT Telecom" refers to HOT Telecom Limited Partnership.

"HOT Proceeds Term Note" refers to HOT's NIS 1,900 million aggregate principal amount of notes issued to the Existing Senior Secured Issuer on the 2012 Transaction Completion Date.

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

"Initial Purchasers" refers to Goldman Sachs International, Morgan Stanley & Co. International plc, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch.

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

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

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

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

"Le Cable Proceeds Loans" collectively refers to the intercompany loans to be made by Altice Holdings as lender to Le Cable Martinique and Le Cable Guadeloupe as borrowers in connection with the Le Cable Refinancing.

"Le Cable Refinancing" has the meaning given to such term in "The Transactions".

"Luxembourg" means the Grand Duchy of Luxembourg.

"NewCo OMT" refers to Altice Blue Two SAS, the private limited liability company (*société par actions simplifiée*) to be incorporated under the laws of France for the purpose of consummating the Outremer Transaction. See "*Summary Corporate and Financing Structure*".

"NewCo Convertible Bonds" refers to the convertible bonds to be issued by NewCo OMT and subscribed for by Altice Caribbean in connection with the Outremer Transaction.

"New Guarantee Facility" refers to the guarantee facility agreement dated on or prior to the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among the Existing Senior Secured Issuer as borrower, the lenders from time to time party thereto, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent.

"New Indenture" refers to the indenture governing the New Senior Notes to be entered into on the Issue Date.

"New Revolving Credit Facility" refers to the revolving facility agreement, dated on or prior to the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among the Existing Senior Secured Notes Issuer as borrower, the lenders from time to time party thereto Citibank International Plc as facility agent and Citibank, N.A., London Branch as security agent.

"New Senior Notes" refers to the €250 million aggregate principal amount of 9% senior notes due 2023 of the Senior Notes Issuer offered hereby.

"New Senior Notes Proceeds Loan" refers to the intercompany loan to be made with the proceeds of the offering of the New Senior Notes on the Escrow Release Date by the Senior Notes Issuer as lender to the Existing Senior Secured Issuer as borrower.

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

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

"Noteholder" refers to a holder of the New Senior Notes.

"OMT Group" has the meaning given to such term in "The Transactions".

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

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

"ONI Purchase Agreement" has the meaning given to such term in "The Transactions"

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

"ONI Transaction" has the meaning given to such term in "The Transactions"

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

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

"Outremer Investment Agreement" has the meaning given to such term in "The Transactions".

"Outremer Purchase Agreement" has the meaning given to such term in "The Transactions"

"OMT Minority Shareholder" has the meaning given to such term in "The Transactions".

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

"OMT Shareholder Agreement" has the meaning given to such term in "The Transactions".

"Outremer Transaction" has the meaning given to such term in "The Transactions".

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

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

"Portuguese Law Collateral" refers to the security interests governed by Portuguese law created by Altice Holdings, Altice West Europe (if applicable), Altice Portugal and Cabovisao, which will secure the Senior Secured Debt.

"Restricted Group" refers to Altice VII and its Restricted Subsidiaries, as defined in the New Indenture.

"Revolving Credit Facility Agreements" collectively refers to the Existing Revolving Credit Facility and the New Revolving Credit Facility.

"Security Agent" refers to Citibank, N.A., London Branch.

"Senior Notes" collectively refers to the New Senior Notes and the Existing Senior Notes.

"Senior Notes Collateral" refers to the collateral securing the Senior Notes as described in "*Summary Corporate and Financing Structure*".

"Senior Notes Guarantees" refers to the guarantees of the obligations of the Senior Notes Issuer under the Senior Notes provided on a senior subordinated basis by the Existing Senior Secured Notes Issuer, Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Pool, upon completion of the ABO Refinancing, by ABO and Green and, upon completion of the Cabovisao Refinancing, by Altice Portugal and Cabovisao.

"Senior Notes Guarantors" collectively refers to the Existing Senior Secured Notes Issuer, Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Pool, upon completion of the ABO Refinancing, ABO and Green and, upon completion of the Cabovisao Refinancing, Altice Portugal and Cabovisao.

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

"Senior Secured Collateral" refers to the collateral securing the Senior Secured Debt as described in "*Summary Corporate and Financing Structure*".

"Senior Secured Debt" refers to the Existing Senior Secured Notes, the New Term Loan, the Existing Revolving Credit Facility, the New Revolving Credit Facility and the New Guarantee Facility.

"Senior Secured Guarantees" refers to the guarantees of the obligations of the Existing Senior Secured Notes Issuer relating to the Senior Secured Debt provided on a senior basis by Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Pool, upon completion of the ABO Refinancing, by ABO and Green and, upon completion of the Cabovisao Refinancing, by Altice Portugal and Cabovisao.

"Senior Secured Guarantors" refers to Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Pool, upon completion of the ABO Refinancing, ABO and Green and, upon completion of the Cabovisao Refinancing, Altice Portugal and Cabovisao.

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

"SPV1" refers to H. Hadaros 2012 Ltd.

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

"Transactions" has the meaning given to such term in "The Transactions".

"Trustee" refers to Citibank, N.A., London Branch, acting in its capacity as trustee under the New Indenture.

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

Financial Data

Issuer

The Senior Notes Issuer was incorporated on August 17, 2012. This Offering Memorandum includes the following financial information of the Senior Notes Issuer:

- the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of March 31, 2013 and for the three months ended March 31, 2013, prepared in accordance with International Accounting Standard 34—Interim Financial Reporting ("IAS 34"); and

- the audited consolidated financial statements of the Issuer as of December 31, 2012 and for the period from August 17 to December 31, 2012, prepared in accordance with the IFRS, which have been audited by Deloitte Audit Société à responsabilité limitée ("Deloitte Audit S.à r.l.").

Cool Holding

Cool Holding is the holding company of HOT and its subsidiaries. Following the consummation of the 2012 Transaction on December 27, 2012, Cool Holding, directly or indirectly, owns all of the outstanding share capital of HOT. This Offering Memorandum includes the following financial information of Cool Holding:

- the unaudited condensed consolidated interim financial statements of Cool Holding as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012, prepared in accordance with IAS 34;

- the audited consolidated financial statements of Cool Holding as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IASB IFRS"), which have been audited by Ernst & Young, Kost Forer Gabbay & Kasierer.

HOT

We conduct our business in Israel through HOT and its subsidiaries. This Offering Memorandum includes the following financial information of HOT:

- the unaudited condensed consolidated interim financial statements of HOT as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012, prepared in accordance with IAS 34;

- the audited consolidated financial statements of HOT as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, prepared in accordance with IASB IFRS and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010, which have been audited by Ernst & Young, Kost Forer Gabbay & Kasierer;

HOT completed the acquisition of HOT Mobile on November 28, 2011 after which date the results of operations of HOT Mobile are consolidated in the financial statements of HOT and Cool Holding. Accordingly, the financial statements of Cool Holding and HOT for the year ended December 31, 2011 included elsewhere in this Offering Memorandum include the results of operations of HOT Mobile for the period from November 28, 2011 to December 31, 2011 and the financial statements of Cool Holding and HOT for the year ended December 31, 2012 included in this Offering Memorandum include the results of operations of HOT Mobile for the entire year. In order to provide a meaningful comparison of our results of operations of Cool Holding and HOT, we have included the unaudited pro forma condensed consolidated financial statements of HOT and its subsidiaries for the year ended December 31, 2011 (the "2011 HOT Pro Forma Financial Statements") giving effect to the acquisition of HOT Mobile as if it had occurred on January 1, 2011 and which have been prepared by applying certain pro forma adjustments to the financial statements of HOT for the year ended December 31, 2011. The 2011 HOT Pro Forma Financial Statements should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them. See "*Unaudited Pro Forma Financial and Operating Data of HOT*". Except as stated above, we have not included in this Offering Memorandum any pro forma financial statements or information giving effect to the acquisition of HOT Mobile for any other period.

This Offering Memorandum includes certain segment information relating to HOT's cable television business unit, telecom business unit and cellular business unit which are derived from HOT's audited consolidated financial statements and the notes thereto as of and for the fiscal years ended December 31, 2010, 2011 and 2012 and HOT's unaudited financial statements as of and for the three months ended March 31, 2013 and March 31, 2012. The segment information eliminates effects of certain inter-segment sales, primarily in connection with services provided by the telecom business unit to the cable television business unit and the cable television unit to the cellular business unit.

Cabovisao

Altice VII, directly or indirectly, owns all of the outstanding share capital of Cabovisao. Pursuant to the Transactions, Cabovisao will operate within the Group. Until August 31, 2012, the financial year of Cabovisao for reporting purposes was from September 1 to August 31. With effect from September 1, 2012, Cabovisao changed its financial year for reporting purposes to run from January 1 to December 31. Accordingly, this Offering Memorandum includes the following financial information of Cabovisao prepared in accordance with the Portuguese Accounting Standards System (the "Portuguese Accounting Standards") and approved pursuant to the Portuguese Decree Law 158/2009, of July 13, 2009:

- the unaudited condensed interim financial statements of Cabovisao as of March 31, 2013 and for the three months ended March 31, 2013 and 2012;

- the audited financial statements of Cabovisao as of December 31, 2012 and for the four months ended December 31, 2012, which have been audited by Baker Tilly, PG & Associados, SROC, S.A.;

- the audited financial statements of Cabovisao as of August 31, 2012 and 2011 and for the years ended August 31, 2012 and 2011, which have been audited by Baker Tilly, PG & Associados, SROC, S.A for the year ended August 31, 2012 and Deloitte & Associados, SROC, S.A. for the year ended August 31, 2011.

However, in order to facilitate the understanding of Cabovisao's results of operations and to align the historical periods for which we have presented the discussion and analysis of the results of operations of Cabovisao with the reporting periods of other operating entities within the Group, the discussion and analysis of the results of operations of Cabovisao included elsewhere in this Offering Memorandum is based on the following financial information included elsewhere in this Offering Memorandum:

- the unaudited pro forma financial statements of Cabovisao as of and for the twelve months ended December 31, 2012 aggregating the (a) unaudited financial statements of Cabovisao for the period from January 1, 2012 to August 31, 2012 and (b) audited financial statements of Cabovisao for the period from September 1, 2012 to December 31, 2012, adjusted by pro forma IFRS journal entries (the "2012 Cabovisao IFRS Data") included elsewhere in this Offering Memorandum.

- the unaudited pro forma financial statements of Cabovisao as of and for the twelve months ended December 31, 2011 aggregating the (a) unaudited financial statements of Cabovisao for the period from January 1, 2011 to August 31, 2011 and (b) unaudited financial statements of Cabovisao for the period from September 1, 2011 to December 31, 2011, adjusted by pro forma IFRS journal entries (the "2011 Cabovisao IFRS Data") included elsewhere in this Offering Memorandum.

- the unaudited pro forma financial statements of Caboviaão as of and for the three months ended March 31, 2013, which correspond to the unaudited financial statements of Cabovisao for the period from January 1, 2013 to March 31, 2013, adjusted by pro forma IFRS journal entries (the "2013 Q1 Cabovisao IFRS Data") and the unaudited pro forma financial statements of Cabovisao as of and for the three months ended March 31, 2012, which correspond to the unaudited financial statements of Cabovisao for the period from January 1, 2012 to March 31, 2012 adjusted by pro forma IFRS journal entries (the "2012 Q1 Cabovisao IFRS Data") included elsewhere in this Offering Memorandum.

We have presented the discussion and analysis of the results of operations of Cabovisao elsewhere in this Offering Memorandum based on a reconciliation of financial data of Cabovisao for the periods presented from Portuguese Accounting Standards to IFRS to align the accounting framework used to present the pro forma financial statements of the Group as described below and the discussion and analysis of the results of operations of each of the Group's operating entities in order to facilitate the comparability of the Group's various businesses. Financial statements prepared in accordance with the Portuguese Accounting Standards may differ in certain significant respects from IFRS. See "*Business, Industry and Market Overview of Cabovisao and Management's Discussion and Analysis of Financial Condition and Results of Operations of Cabovisao—Summary of Significant Differences between Portuguese Accounting Standards and IFRS*".

Coditel

The relevant Coditel reporting entity, Coditel Holding S.A. ("Coditel Holding") was incorporated on May 12, 2011 for the purpose of acquiring Coditel Brabant S.p.r.l ("Coditel Belgium") and Coditel S.à r.l. ("Coditel Luxembourg"), which acquisition was completed on July 31, 2011. Accordingly, this Offering Memorandum includes the following financial information of (A) Coditel Holding and Coditel Luxembourg, each prepared in accordance with Luxembourg GAAP and (B) Coditel Belgium prepared in accordance with Belgian GAAP:

- the unaudited interim consolidated financial information of Coditel Holding as of March 31, 2013 and for the three months ended March 31, 2013 and 2012;

- the audited consolidated annual accounts of Coditel Holding as of the year ended December 31, 2012 and 2011 and for the year ended December 31, 2012 and the period from August 1, 2011 to December 31, 2011, which have been audited by Deloitte Audit S.à r.l.;

- the audited financial statements of Coditel Belgium as of July 31, 2011 and for the period from January 1, 2011 to July 31, 2011, which have been audited by Deloitte Réviseurs d'entreprises S.c r.l.;

- the audited annual accounts of Coditel Luxembourg as of July 31, 2011 and for the period from January 1, 2011 to July 31, 2011, which have been audited by Deloitte Audit S.à r.l.;

However, in order to facilitate the understanding of Coditel's results of operations, we have included elsewhere in this Offering Memorandum:

- the unaudited pro forma financial statements of Coditel Holding S.A. as of and for the year ended December 31, 2012 adjusted by pro forma IFRS journal entries (the "2012 Coditel IFRS Data");

- 2011: the unaudited combined consolidated statement of comprehensive income aggregating (a) the unaudited pro forma statement of comprehensive income of Coditel Luxembourg for the period from January 1, 2012 to July 31, 2012 drawn up in accordance with the recognition and measurement criteria of Luxembourg GAAP, (b) the unaudited pro forma statement of comprehensive income of Coditel Belgium for the period from January 1, 2012 to July 31, 2012 drawn up in accordance with the recognition and measurement criteria of Belgian GAAP, (c) the unaudited pro forma consolidated statement of comprehensive income of Coditel Holding S.A. for the period from August 1, 2011 to December 31, 2011 drawn up in accordance with the recognition and measurement criteria of Luxembourg GAAP and (d) unaudited pro forma IFRS journal entries. This aggregation is referred to herein as the "2011 Coditel Aggregated Data".

- the unaudited pro forma income statement of Coditel Holding S.A. as of and for the three months ended March 31, 2013 (the "2013 Q1 Coditel IFRS Data") and March 31, 2012 (the "2012 Q1 Coditel IFRS Data"), in each case adjusted by pro forma IFRS journal entries, included elsewhere in this Offering Memorandum.

The 2011 Coditel Aggregated Data neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such. The 2011 Coditel Aggregated Data is presented for illustrative purposes only and does not purport to present the operations of Coditel Holding S.A. as they actually would have been had the acquisition of Coditel Belgium and Coditel Luxembourg occurred with effect from January 1, 2011 or to project any operating results for any future period. The 2011 Coditel Aggregated Data includes no additional pro forma adjustments (except for intercompany eliminations) to present the aggregated income statement as if the Coditel Acquisition had been completed on January 1, 2011 and thus reflects, among other things, several effects in connection with the Coditel Acquisition only for the period from August 1 to December 31, 2011.

We have presented the discussion and analysis of the results of operations of Coditel Holding, Coditel Belgium and Coditel Luxembourg elsewhere in this Offering Memorandum based on a reconciliation of financial data of Coditel Holding, Coditel Belgium and Coditel Luxembourg for the periods presented from Luxembourg GAAP and Belgian GAAP, as applicable, to IFRS to align the accounting framework used to present the pro forma financial statements of the Group as described below and the discussion and analysis of the results of operations of each of the Group's operating entities in order to facilitate the comparability of the Group's various businesses. Financial statements prepared in accordance with Luxembourg GAAP and Belgian GAAP may differ in certain significant respects from IFRS. See note 1 to the 2011 Aggregated IFRS Data included elsewhere in this Offering Memorandum.

Outremer

This Offering Memorandum includes the following financial information of Outremer:

- the unaudited condensed consolidated interim financial statements of Group Outremer Telecom as of March 31, 2013 and for the three months ended March 31, 2013 which include the 2012 comparative figure, composed of a balance sheet, a profit and loss and a cash flow statement. They do not represent a full set of financial statements with regards to IFRS standards.

- the audited consolidated financial statements of Group Outremer Telecom as of December 31, 2012 and for the years ended December 31, 2012 which include the 2011 comparative figures, prepared in accordance with EU IFRS, which have been audited by Constantin Associes and Ernst & Young et Autres.

Revenue and Adjusted EBITDA of Outremer for the twelve months ended March 31, 2013 has been derived by adding Outremer's Adjusted EBITDA or revenue for the twelve months ended December 31, 2012 to its Adjusted EBITDA or revenue for the three months ended March 31, 2013 and subtracting its Adjusted EBITDA or revenue for the three months ended March 31, 2012.

Others

In addition, the following operating entities will also form a part of the Group: (i) green.ch AG ("Green"), through which we provide ICT and B2B solutions in Switzerland (ii) Martinique TV Câble S.A. ("Le Cable Martinique"), through which we conduct our cable television operations in Martinique and (iii) World Satellite Guadeloupe S.A. ("Le Cable Guadeloupe"), through which we conduct our cable television operations in Guadeloupe. Accordingly, this Offering Memorandum includes the following financial information of Green, Le Cable Martinique and Le Cable Guadeloupe prepared in accordance with Swiss GAAP, French GAAP and French GAAP, respectively:

- the unaudited interim financial statements of Green as of March 31, 2013 and for the three months ended March 31, 2013, which include the 2012 comparative figures;

- the audited financial statements of Green as of December 31, 2012 and for the year ended December 31, 2012, which include the 2011 comparative figures, which have been audited by KPMG AG;

- the unaudited condensed interim financial statements of Le Cable Martinique as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012;

- the audited financial statements of Le Cable Martinique as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011, which have been audited by Deloitte & Associés;

- the unaudited condensed interim financial statements of Le Cable Guadeloupe as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012;

- the audited financial statements of Le Cable Guadeloupe as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011, which have been audited by Deloitte & Associés;

In addition, in order to align the accounting framework used to present the pro forma financial statements of the Group as described below, we have included elsewhere in this Offering Memorandum the pro forma financial statements for Green, Le Cable Martinique and Le Cable Guadeloupe, which include adjustments for pro forma IFRS journal entries to certain financial information from the above-described financial statements.

The historical results of the companies mentioned above do not necessarily indicate results that may be expected for any future period. Cool Holding's and HOT's financial results are reported in New Israeli Shekels denominations. The Senior Notes Issuer's, Cabovisao's, Coditel Holding's, Coditel Belgium's, Coditel Luxembourg's, Group Outremer Telecom's, Le Cable Martinique's and Le Cable Guadeloupe's financial results are reported in euros. Green's financial results are reported in Swiss Francs. To facilitate comparison, we have included elsewhere in this Offering Memorandum, certain pro forma financial information of Cool Holding and HOT and Green after converting amounts into euros from New Israeli Shekels and Swiss Francs respectively. See Note 3 to the Combined Entities Pro Forma Financial Statements included elsewhere in this Offering Memorandum.

IFRS Adjustments

As described above, the financial statements for Cabovisao, Coditel Belgium, Coditel Luxembourg and Coditel Holding, Green, Le Cable Martinique and Le Cable Guadeloupe were prepared in accordance with Portuguese Accounting Standards, Belgian GAAP, Luxembourg GAAP, Swiss GAAP and French GAAP, respectively. Information prepared in accordance with Portuguese Accounting Standards, Belgian GAAP, Luxembourg GAAP, Swiss GAAP or French GAAP is not directly comparable with information prepared in accordance with IFRS. Financial statements prepared in accordance with Portuguese Accounting Standards, Belgian GAAP, Luxembourg GAAP, Swiss GAAP or French GAAP may differ in certain significant respects from IFRS. In order to align the accounting framework used to present the combined entities Pro Forma Financial Statements (as defined below), we have included elsewhere in this Offering Memorandum the pro forma financial statements for Cabovisao, Coditel Belgium, Coditel Luxembourg, Coditel Holding, Green, Le Cable Martinique and Le Cable Guadeloupe, which include adjustments for unaudited pro forma IFRS journal entries to certain financial information from their respective financial statements. We have presented the discussion and analysis of the results of operations of Cabovisao and Coditel Belgium, Coditel Luxembourg and Coditel Holdings elsewhere in this Offering Memorandum based on a reconciliation of unaudited financial information of Cabovisao and Coditel Belgium, Coditel Luxembourg and Coditel Holdings, as applicable, for the periods presented from Portuguese Accounting Standards, Luxembourg GAAP and Belgian GAAP, as applicable, to IFRS to align the discussion and analysis of the results of operations of each of the Group's operating entities in order to facilitate the comparability of the Group's various businesses. These reconciliations and related footnotes are set out in Annex A to this Offering Memorandum. These reconciliations are not audited and are not intended to be complete financial statements of the relevant companies prepared in accordance with IFRS and do not consider the disclosure requirement of IFRS. Financial statements prepared in accordance with IFRS may differ in significant respects from the reconciliations set out in Annex A. For the basis on which each of these reconciliations were prepared, see note 1 to each reconciliation. Cabovisao, Coditel Belgium, Coditel Luxembourg and Coditel Holding, Green, Le Cable Martinique and Le Cable Guadeloupe have not undertaken a quantitative reconciliation of their consolidated financial statements from Portuguese Accounting Standards, Belgian GAAP, Luxembourg GAAP, Swiss GAAP and French GAAP, respectively, to IFRS. Had any of these companies undertaken any such quantitative reconciliation, other potentially significant accounting and disclosure differences may have come to their attention, which are not identified in Annex A. Accordingly, there can be no assurance that these are the only differences in accounting principles that would have an impact on any financial statements of these entities.

The combined entities Pro Forma Information does not purport to represent consolidated financial information for the Group, therefore it does not reflect any adjustment to conform accounting policies between the Combined Entities.

The IFRS Adjustments have been prepared as of December 31, 2012, March 31, 2012 and March 31, 2013 based on IFRS applicable as of that date. New standards either released by the IASB but not effective as of March 31, 2013, or currently developed by the IASB might significantly affect the financial statements of these entities. The IFRS Adjustments identified should not be construed as an analysis of the impact of such new standards and they should be reassessed upon the effective of any new standard.

Pro forma Financial Information

Following the completion of the Transactions, the Group will comprise of the following operating entities that have historically reported their financial results independently: Cool Holding and its subsidiaries, Cabovisao, Coditel Holding and its subsidiaries, Group Outremer Telecom and its subsidiaries, Le Cable Martinique, Le Cable Guadeloupe, Green and ONI. No historic financial information that consolidates the results of operations of these operating entities is available. Accordingly, we have included the unaudited pro forma combined financial statements of Cabovisao, Coditel Holding, Group Outremer Telecom, Cool Holding, Green, Le Cable Martinique and Le Cable Guadeloupe (collectively, the "Combined Entities"), (A) for the three months ended March 31, 2013 (the "Q1 2013 Combined Entities Pro Forma Financial Statements"), (B) for the year ended December 31, 2012 (the "2012 Combined Entities Pro Forma Financial Statements") and (C) for the three months ended March 31, 2012 (the "Q1 2012 Combined Entities Pro Forma Financial Statements"). The Combined Entities Pro Forma Financial Statements do not include any results of operations of ONI Altice VII, Altice Holdings, the Existing Senior Secured Notes Issuer, the Senior Notes Issuer or ONI, any other holding company of the Group not consolidated in the financial statements of such Combined Entity, or certain portfolio companies owned by Altice VII that will be sold or otherwise transferred out of the Group prior to unaudited consummation of the Transaction. The unaudited Q1 2013 Combined Entities Pro Forma Financial Statements, the 2012 Combined Entities Pro Forma Financial Statements and the unaudited Q1 2012 Combined Entities Pro Forma Financial Statements are collectively referred to herein as the "Combined Entities Pro Forma Financial Statements". The Combined Entities Pro Forma Financial Statements are derived from an aggregation of the income statements and statements of financial position, as the case may be, of Cabovisao, Coditel Holding, Group Outremer Telecom, Cool Holding, Green, Le Cable Martinique and Le Cable Guadeloupe for the applicable periods. The Combined Entities Pro Forma Financial Statements are unaudited and represents the arithmetical sum, after taking account of intercompany eliminations, of the corresponding items from the income statements and statements of financial position, as the case may be, for each of Cabovisao, Coditel Holding, Group Outremer Telecom, Cool Holding, Green, Le Cable Martinique and Le Cable Guadeloupe for the applicable periods. The Combined Entities Pro Forma Financial Statements neither represent financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such. The Combined Entities Pro Forma Financial Statements are presented for illustrative purposes only and do not purport to present the operations of the Combined Entities or the Group as they actually would have been had the Transactions (including this offering or the incurrence of the New Term Loan and the application of proceeds therefrom) occurred with effect from January 1, 2012 or to project the operating results or financial condition of the Combined Entities or the Group for any future period. The Combined Entities Pro Forma Financial Statements include no additional pro forma adjustments (except for intercompany eliminations) to present the aggregated income statement as if the Transactions had been completed on January 1, 2012. See "*Unaudited Pro Forma Financial and Operating Data of the Combined Entities*".

The 2011 HOT Pro Forma Financial Statements, the Combined Entities Pro Forma Financial Statements and the other pro forma financial information included in this Offering Memorandum and their respective pro forma adjustments, among other things:

- are based on upon available information and assumptions that we believe are reasonable under the circumstances;
- are presented for informational purposes only;
- have not been audited in accordance with any generally accepted auditing standards;
- in the case of the 2011 Hot Pro Forma Financial Statements, do not purport to represent what our results of operations or financial condition would have been had the acquisition of HOT Mobile, as applicable, actually occurred on the dates indicated; and
- do not purport to project our results of operations or financial condition for any future period or as of any future date.

The unaudited pro forma financial data included in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive, the Israeli Securities Regulation (Annual Financial Statements) 2010, or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited in accordance with any generally accepted auditing standards.

In addition to the pro forma financial information described above, this Offering Memorandum includes certain financial information on an as adjusted basis to give effect to the Transactions, including this offering and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Transactions on the Combined Entities' indebtedness as if the Transactions had occurred on March 31, 2013 and the Combined Entities' interest expense as if the Transactions occurred on April 1, 2012. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Combined Entities' or the Group's indebtedness would have been had the Transactions occurred on March 31, 2013 or April 1, 2012, respectively; nor does it purport to project the Combined Entities' or the Group's indebtedness or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Non-IFRS Measures

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

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

As used herein "Pro Forma Combined Revenue" refers to the unaudited pro forma combined revenue of the Combined Entities for the applicable period assuming the Transactions had occurred as of January 1, 2012. The Combined Entities include Cabovisao, Group Outremer Telecom, HOT, Green, Coditel Holding, Le Cable Martinique and Le Cable Guadeloupe, and their respective consolidated subsidiaries. The revenue of ONI is not included in Pro Forma Combined Revenue.

As used herein "Pro Forma Combined Adjusted EBITDA" refers to the unaudited pro forma combined Adjusted EBITDA of the Combined Entities for the applicable period. The Combined Entities include Cabovisao, Group Outremer Telecom, HOT, Green, Coditel Holding, Le Cable Martinique and Le Cable Guadeloupe, and their respective consolidated subsidiaries. The Adjusted EBITDA of ONI is not included in the calculation of Pro Forma Combined Adjusted EBITDA.

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

SUBSCRIBER, MARKET AND INDUSTRY DATA

Key Operating Measures

This Offering Memorandum includes information relating to certain key operating measures of the Group, HOT, Coditel, Cabovisao, Green Le Cable and Outremer including number of homes passed, Cable Customer Relationships, Subscribers, RGUs, RGUs per Cable Customer Relationship, Churn and ARPUs to track the financial and operating performance of our businesses. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from the internal operating systems of the individual members of the Group, including HOT, Coditel, Cabovisao, Green Le Cable and Outremer, as applicable. As defined by the management of HOT, Coditel, Cabovisao, Green Le Cable and Outremer or the other members of the Group (as the case may be), the meaning of these terms may differ among HOT, Cabovisao, Coditel, Green Outremer, Le Cable and the other members of the Group. Additionally, such terms may not be directly comparable to corresponding or similar terms used by competitors or other companies. Please refer to the meanings of these terms as defined by HOT, Cabovisao, Coditel, Green Le Cable and Outremer included elsewhere in the Offering Memorandum.

Market and Industry Data

We operate in industries in which it is difficult to obtain precise market and industry information. We have generally obtained the market and competitive position data in this Offering Memorandum from our competitors' public filings, from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable. Certain information in this Offering Memorandum contains independent market research carried out by Euromonitor International Limited and IHS and should not be relied upon in making, or refraining from making, any investment decision. Information in this Offering Memorandum contains independent market research carried out by Euromonitor International Limited but should not be relied upon in making, or refraining from making, any investment decision.

HOT calculates market share for each of its services by dividing the number of RGUs for such service by the total number of subscribers in Israel to such service, which is calculated based on its competitors' public filings and reported subscriber base, other public information and its internal estimates. Under HOT's cellular license, it is required to calculate market share of its cellular operations, which is calculated using different parameters than as described above. For more information see "*Description of HOT's Business—Material Contracts—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

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

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

EXCHANGE RATE INFORMATION

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

	U.S.$ per euro			
	Period Average[(1)(2)]	High	Low	Period End[(3)]
Year				
2010	1.3266	1.4510	1.1952	1.3366
2011	1.3924	1.4874	1.2925	1.2960
2012	1.2859	1.3463	1.2053	1.3197
Month				
January 2013	1.3301	1.3584	1.3049	1.3584
February 2013	1.3349	1.3671	1.3052	1.3083
March 2013	1.2955	1.3097	1.2772	1.2819
April 2013	1.3024	1.3174	1.2826	1.3158
May 2013	1.2981	1.3190	1.2828	1.2971
June 2013 (through June 13, 2013)	1.3211	1.3340	1.3071	1.3327

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

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

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

For your convenience we have translated the financial statements of certain of the Combined Entities that are originally reported in Swiss Francs or NIS, as applicable, into euro. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The exchange rates used herein are set forth below.

	EUR per NIS	
As of		
March 31, 2012	€0.2019	NIS1.00
December 31, 2012	€0.2032	NIS1.00
March 31, 2013	€0.2145	NIS1.00
Average rate for the		
Three months ended March 31, 2012	€0.2023	NIS1.00
Year ended December 31, 2012	€0.2018	NIS1.00
Three months ended March 31, 2013	€0.2041	NIS1.00

	EUR per CHF	
As of		
March 31, 2012	€0.8300	CHF1.00
December 31, 2012	€0.8282	CHF1.00
March 31, 2013	€0.8217	CHF1.00
Average rate for the		
Three months ended March 31, 2012	€0.8168	CHF1.00
Year ended December 31, 2012	€0.8201	CHF1.00
Three months ended March 31, 2013	€0.8107	CHF1.00

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance or existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- risks associated with our structure, this offering, and our other indebtedness;
- risks related to the Transactions;
- the competitive environment and downward price pressure in the broadband communications, television sector, fixed line telephony and cellular telephony in Israel and the other regions in which we operate;
- risks related to royalties payments and our licenses;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;
- changes in consumer television viewing preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, telephony and broadband Internet services and the average revenue per household;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;

- consumer acceptance of existing service offerings, including our analog and digital video, fixed-line and cellular telephony and broadband Internet services and or multiple-play packages and consumer acceptance of new technology, programming alternatives and broadband services that we may offer;

- perceived or actual health risks and other environmental requirements relating to our mobile operations;

- our ability to maintain favorable roaming arrangements for our cellular services;

- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;

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

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

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

- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we may acquire;

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

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

- changes in laws or treaties relating to taxation in Israel, Luxembourg and the other jurisdictions in which we operate, or the interpretation thereof;

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

- our ability to manage our brands;

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

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

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

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

- the outcome of any pending or threatened litigation;

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

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

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

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

- other factors discussed in this Offering Memorandum.

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

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

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

AVAILABLE INFORMATION

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

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

TAX CONSIDERATIONS

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

TRADEMARKS AND TRADE NAMES

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

GENERAL DESCRIPTION OF OUR BUSINESS AND THE OFFERING

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

Our Business

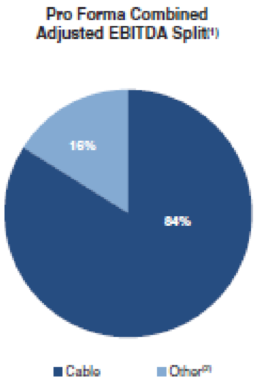
Overview

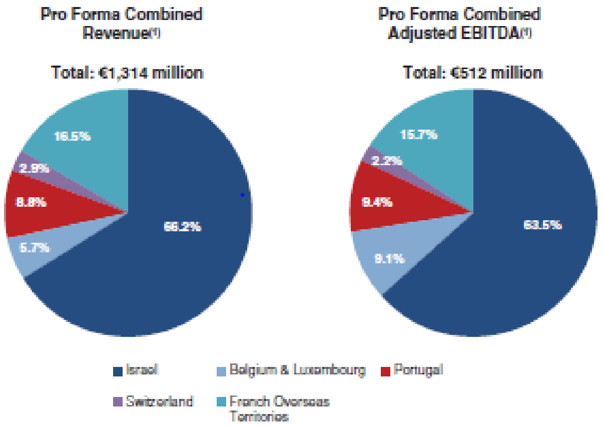
We are a multinational cable and telecommunications company with presence in six countries—Israel, Belgium, Luxembourg, the French Overseas Territories of Guadeloupe and Martinique, Portugal and Switzerland. We own and operate cable-based fixed-line infrastructure in all of these regions, other than Switzerland, as well as a cellular network in Israel. We provide primarily cable-based pay television, telephony and broadband Internet access services as well as cellular telephony services in certain locations. We are the sole cable television services provider in Israel and the French Overseas Territories of Guadeloupe and Martinique. In addition, as of March 31, 2013, we were the second largest cable operator in Luxembourg and in Portugal and the third largest cable television services provider in Belgium, each based on number of subscribers. We estimate that we were the largest provider of cable-based television services and the second largest provider of broadband Internet access services in our cable footprint in each country in which we operated based on number of subscribers. In Switzerland, we provide ICT and B2B solutions only. As of March 31, 2013, in the six countries in which we operate we had 1.6 million cable-based services subscribers, 3.4 million RGUs and 1.1 million mobile subscribers.

In addition, we have entered into agreements to acquire Outremer, a leading telecommunications operator in the French Overseas Territories offering cellular telephony, broadband Internet access, fixed-line telephony and IP television services to residential and business subscribers, and ONI, a B2B services provider in Portugal that offers broadband Internet access, fixed-line telephony, virtual private network, leased lines, data center services and other corporate fixed-line services to small and large businesses. The consummation of the acquisitions of Outremer and ONI are subject to a number of conditions. See "*The Transactions—Outremer Transaction*" and "*The Transactions—ONI Transaction*".

For the twelve months ended March 31, 2013, we had Pro Forma Combined Revenue of € 1.3 billion and Pro Forma Combined Adjusted EBITDA of €0.5 billion, of which our operations in Israel, our largest operating segment, accounted for approximately 64%. Our Pro Forma Combined Revenues and Pro Forma Combined Adjusted EBITDA do not include the results of operations for ONI but do include the results of operations of Outremer, which, for the twelve months ended March 31, 2013, generated consolidated revenue and Adjusted EBITDA of € 195.7 million and €64.8 million, respectively.

Certain operational and financial data is set forth below.





(1) Represents Adjusted EBITDA split from cable-based services and others (as a percentage of Pro Forma Combined Adjusted EBITDA for the three months ended March 31, 2013 multiplied by four). Assumes Cabovisao, Coditel and Le Cable only provide cable-based services and Outremer and Switzerland only other services. HOT Mobile's EBITDA is negative for the three months ended March 31, 2013 and is not included in other services.

(2) Includes Cellular and B2B

(1) Represents Pro Forma Combined Revenue for the three months ended March 31, 2013 multiplied by four. Excludes Intercompany eliminations. Excludes ONI.

(1) Represents the Pro Forma Combined Adjusted EBITDA for the three months ended March 31, 2013 multiplied by four. Excludes ONI and does not take into account synergies.

Summary Key Operating Data[1]

	As of and for the three months ended March 31, 2013							
	Cable-based Services							Cellular
			RGUs			Churn		
	Homes Passed	Cable Customer Relationships	Pay TV	Broadband	Telephony	Pay TV	Cable based services ARPU	Subscribers
	(in thousands)					(%)	(in €)	(in thousands)
Israel	2,252	1,188	898	774	684	13.6	47.8	758
Western Europe								
Belgium & Luxembourg	233	118	133	55	53	21.2	41.5	2
Portugal	906	249	238	157	237	25.0	36.1	—
French Overseas Territories								
Outremer	**	**	—	57	82	—	**	379
Le Cable	154	39	39	13	13	17.6	48.7	—
Total	3,545	1,594	1,308	1,056	1,069			1,139

** Not reported

[1] For details regarding how we define and calculate the key operating data presented above, see "—Summary Financial and Other Data—Key Operating Data."

Financial Data

	Pro Forma Combined Revenue					Pro Forma Combined Adjusted EBITDA				
	2012	Q1 2012	Q1 2013	LQA[1][3]	LQA % of Total[1]	2012	Q1 2012	Q1 2013	LQA[1]	LQA % of Total[1]
					€ in millions					
Israel	**846.0**	**207.7**	**217.4**	**869.6**	**66.2%**	**296.2**	**80.5**	**81.4**	**325.6**	**63.5%**
Belgium & Luxembourg	74.2	18.3	18.5	74.0	5.7%	46.9	11.9	11.7	46.8	9.1%
Portugal	117.9	29.7	28.9	115.6	8.8%	34.0	4.0	12.0	48.0	9.4%
Switzerland	41.9	10.5	9.6	38.4	2.9%	12.2	2.8	2.9	11.6	2.2%
Western Europe	**234.0**	**58.5**	**57.0**	**228.0**	**17.4%**	**93.1**	**18.7**	**26.6**	**106.4**	**20.8%**
Outremer	195.1	47.5	48.1	192.4	14.6%	63.1	15.2	16.9	67.6	13.2%
Le Cable	24.4	6.0	6.1	24.4	1.8%	11.6	2.7	3.2	12.8	2.5%
French Overseas Territories	**219.5**	**53.5**	**54.2**	**216.8**	**16.5%**	**74.6**	**17.8**	**20.1**	**80.4**	**15.7%**
Intercompany Eliminations	**—**	**—**	**—**	**—**		**(0.1)**	**—**	**(0.1)**	**(0.4)**	
Total[2]	**1,299.6**	**319.7**	**328.6**	**1,314.4**	**100.0%**	**463.9**	**117.0**	**128.1**	**512.4**	**100.0%**

[1] LQA is calculated by multiplying the revenue or Adjusted EBITDA, as applicable, for the three months ended March 31, 2013 by four.

[2] Excludes ONI.

[3] There can be no assurance, and you should not assume, that this annualized presentation of our first quarter results represents an accurate forecast of our actual results of operations.

We operate our portfolio companies through a two-level structure that aims to minimize financing costs and maximize cost savings and operational synergies, the first level consisting of the Altice Corporate team and the second comprising experienced managers of our various operating subsidiaries who are based in the countries in which we operate. Each of our operating subsidiaries is implementing our Group strategy of operational excellence and value optimization adapted to local opportunities such as cable-cellular convergence, B2C/B2B integration and a focus on operational efficiencies, depending on the country of operation.

Our Services

We offer a variety of services over our cable and cellular infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and cellular telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of our cable networks and whether they have been upgraded for two-way communications. We deploy the same cable-based consumer product equipment across our footprint to ensure all of our operations benefit from a common technology. In addition, all of our businesses benefit from shared skills and lessons learnt across the various operations of the Group. Our television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand ("VoD") and near-video-on-demand ("NVoD"), digital video recorders ("DVR"), high definition ("HD") television services and, in some cases, exclusive content. We tailor both our basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation. We offer broadband Internet access services and fixed-line telephony in all of our broadband communications markets (other than Switzerland). We also own and operate a cellular infrastructure in Israel and offer cellular services through an MVNO arrangement in Belgium. In addition, Outremer owns and operates a cellular telephony network and provides broadband Internet access, fixed-line telephony and, to a lesser extent, IP television services through access to unbundled DSL infrastructure.

Cable-Based Services

Multiple-Play

We provide pay television, broadband Internet access and fixed-line telephony services primarily via a hybrid fiber-coaxial cable network and we refer to these services as "cable-based services". We market these services under the "HOT", "Numericable", "Le Cable" and "Cabovisão" brands in Israel, Belgium and Luxembourg, the French Overseas Territories of Guadeloupe and Martinique and Portugal, respectively. We believe we provide value to our customers by offering bundled triple-play services comprising pay television, broadband Internet access and fixed-line telephony services at attractive prices. We also offer various double-play packages comprising a combination of two of these services and are developing our quadruple play offerings, which include a combination of cable-based triple-play and cellular packages, in certain jurisdictions. As of March 31, 2013, 36%, 42% and 57% of Israeli, Belgium and Luxembourg and Portuguese customers, respectively, subscribed to one of our triple-play packages. By focusing our marketing efforts on our multiple-play offerings we had 3.3 million cable-based RGUs subscribing to an average of 2.1 services per Cable Customer Relationship as of March 31, 2013. In addition, in the medium term we expect to offer quadruple-play services in Israel in the event that we are allowed to do so by the local regulator. Furthermore, Outremer offers quadruple-play packages in the French Overseas Territories. While we focus our marketing activity on our multiple-play packages, we also continue to offer stand-alone pay television, broadband Internet access and fixed-line telephony services to our customers.

For the three months ended March 31, 2013, our cable-based services ARPU for HOT, Cabovisao and Coditel was €47.83, €36.0 and €41.5, respectively, compared to €45.26, €36.9 and €36.7 as of December 31, 2011, respectively. This represented an increase of 5.7% for HOT, a decrease of 2.5% for Cabovisao and an increase of 11.6% for Coditel.

Pay Television

Israel

We offer analog and digital television services in Israel through HOT. HOT's digital television offering includes over 160 digital television channels, including up to 21 HDTV channels and over 25 channels with start-over functionality, 32 radio channels, VOD services and premium digital services such as DVR throughout its network. We believe that HOT's digital television services, which are available at competitive prices, are among the most attractive in the Israeli market, with (i) more HDTV channels than our competitors, (ii) interactive functionalities such as VOD and start-over television that are not available to subscribers to satellite television without a broadband connection and (iii) rights to popular content, including local content co-developed and broadcast by HOT. As of March 31, 2013, HOT had 898,000 pay television RGUs. HOT's cable television ARPU was approximately €44.83 for the three months ended March 31, 2013 and approximately €45.47 for the year ended December 31, 2012 (based on an exchange rate as of March 31, 2013 of €0.2145 = NIS1.00).

Belgium & Luxembourg

We offer subscribers analog and both basic and premium digital television services in certain parts of Belgium and Luxembourg through Coditel. Subscribers to Coditel's basic digital television service can choose from a range of approximately 130 digital television channels in Brussels and approximately 110 in Luxembourg and are also able to access certain premium content and interactive services, such as VOD and catch-up TV. Coditel's premium television service provides customers a wider range of digital premium channels, together with certain optional interactive features such as VOD, access to additional HD channels and HD premium content and certain other premium services, including exclusive rights to football matches from the Belgian league. As of March 31, 2013, Coditel provided cable television services to 133,000 RGUs, of which 110,000 were in Brussels and 23,000 were in Luxembourg. Coditel's cable television ARPU was €22.90 for the three months ended March 31, 2013 and €22.50 for the year ended December 31, 2012.

French Overseas Territories

We currently offer analog and both basic and premium digital television services via our cable networks in Guadeloupe and Martinique through Le Cable. As of March 31, 2013, Le Cable provided cable television services to approximately 39,000 RGUs in Guadeloupe and Martinique. In addition, Outremer currently offers its broadband Internet subscribers IP television services via an unbundled ADSL network. Following completion of the Outremer Transaction, we expect to provide highly competitive digital television content in all of the French Overseas Territories where we are present.

Portugal

We offer subscribers analog and both basic and premium digital television services in Portugal through Cabovisao. Cabovisao's analog television service includes access to over 30 television channels. Subscribers to Cabovisao's basic digital television service can choose from a range of over 70 or 110 digital television channels (including all of the analog television channels) and access to certain premium content and interactive services, such as VOD and catch-up TV. Cabovisao's premium television service provides customers a wider range of digital premium channels, together with certain optional interactive features such as VOD, access to additional HD channels and HD premium content and certain other premium services. As of March 31, 2013, Cabovisao provided cable television services to approximately 238,000 RGUs. Cabovisao's cable television ARPU was €20.52 for the three months ended March 31, 2013 and €20.46 for the twelve months ended December 31, 2012.

Fixed-Line Telephony and Broadband Internet Access

Israel

Through HOT, we provide fixed-line telephony services using PacketCable technology and offer our subscribers packages including unlimited calls to local and national fixed-line and cellular numbers, and a variety of value-added telephony features. As of March 31, 2013, HOT had 684,000 fixed-line telephony RGUs based on number of subscribers. HOT's broadband Internet infrastructure access offering provides high download speeds over U.S. Docsis 3.0-enabled cable network, which we believe is higher than those achieved at similar pricing on a large scale by HOT's largest DSL competitor. As of March 31, 2013, HOT had 774,000 broadband Internet infrastructure access service RGUs. The addition of ISP services, which were launched in February 2012 through HOT's wholly-owned subsidiary, HOT Net, has enabled HOT to expand the telecommunications services offered under the "HOT" brand.

In addition, HOT provides a range of advanced telecommunications solutions to business customers and other telecommunication service providers, including primary rate interface ("PRI") trunks (consisting of up to 30 voice lines per trunk) and data and video relay and virtual private network ("VPN") services using synchronous digital hierarchy ("SDH") technology or Internet protocol ("IP") technology.

Belgium & Luxembourg

In Belgium and Luxembourg, Coditel offers local, national and international long distance fixed-line telephony services, as well as value-added telephony features, using VoiP. Within our network areas in both Belgium and Luxembourg, Coditel is currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg. As of March 31, 2013, Coditel provided fixed-line telephony services to approximately 53,000 RGUs, of which 45,000 were in Belgium and 8,000 were in Luxembourg. Coditel is also a leading provider of broadband Internet access services in our footprint in Belgium and Luxembourg. As of March 31, 2013, Coditel provided broadband Internet access services to 55,000 RGUs, of which 46,000 were in Belgium and 9,000 were in Luxembourg.

French Overseas Territories

Through Le Cable, we offer subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value-added telephony features in Guadeloupe and Martinique. As of March 31, 2013, Le Cable provided fixed-line telephony services to approximately 13,000 RGUs. Le Cable provides broadband Internet access services within its network area offering subscribers monthly rate plans. As of March 31, 2013, Le Cable provided broadband Internet services to approximately 13,000 RGUs.

Outremer currently offers its residential and business subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value-added telephony features in the French Overseas Territories. As of March 31, 2013, Outremer provided fixed-line telephony services to approximately 82,000 subscribers consisting of approximately 56,000 residential subscribers and approximately 26,000 B2B subscribers. Outremer also provides broadband Internet access services in the French Overseas Territories offering residential and business subscribers monthly rate plans, including broadband Internet access services and narrowband (dial-up) services. As of March 31, 2013, Outremer provided broadband Internet services to approximately 61,000 residential subscribers consisting of approximately 55,000 broadband Internet subscribers and approximately 6,000 narrowband Internet subscribers (included under fixed-line telephony subscribers).

Portugal

Cabovisao offers subscribers local, national and international long distance fixed-line telephony services and a variety of value-added telephony features using VoIP. As of March 31, 2013, Cabovisao provided fixed-line telephony services to approximately 237,000 RGUs. As of March 31, 2013, Cabovisao provided broadband Internet access services to approximately 157,000 RGUs.

Cellular Services

Israel

Through HOT Mobile, we provide cellular services in Israel to residential subscribers under the “HOT Mobile” brand on our UMTS-based 3G network, which we launched in May 2012, and cellular services targeted at business subscribers under the “MIRS” brand on our existing iDEN network. We believe HOT Mobile’s 3G service offerings provide our customers with attractive value-for-money services including an offer providing the ability to receive unlimited national calls to fixed-line telephony and cellular numbers, text messaging and data access for a fixed monthly rate. HOT Mobile’s UMTS-based 3G network allows us to sell the latest mobile phone and smartphone models, including Android-based and Apple branded handsets. As of March 31, 2013, HOT Mobile had a total of 758,000 cellular RGUs, including 276,000 legacy iDEN customers and 482,000 3G customers compared to a total of 444,000 RGUs, comprising solely iDEN customers as of December 31, 2011. We expect the number of iDEN customers to continue to decline in future periods.

Belgium & Luxembourg

Through Coditel, we began providing cellular services in Belgium in September 2012 through an MVNO agreement with Mobistar. Coditel offers cellular subscribers a variety of packages including packages with unlimited national calls, texts and Internet usage. As of March 31, 2013, Coditel had approximately 2,000 cellular RGUs.

French Overseas Territories

Outremer currently offers cellular subscribers a variety of monthly rate plans, referred to as post-paid, and pay-as-you-go plans, referred to as pre-paid. Outremer launched its cellular services in December 2004 and has increased its market share, in part, through its attractively priced propositions. Outremer currently provides subscribers 2G and 3G cellular services and plans to apply for licenses to provide 4G services, which are expected to be awarded via an application process at the end of 2013. As of March 31, 2013, Outremer had approximately 380,000 total cellular subscribers, consisting of approximately 172,000 residential post-paid subscribers, approximately 197,000 residential pre-paid subscribers and approximately 11,000 business cellular subscribers. Outremer’s cellular ARPU was €26.40 for the three months ended March 31, 2013 and €26.70 for the year ended December 31, 2012.

Business to Business Services

Belgium & Luxembourg

We offer a range of dark fiber, Internet links and other fiber-based network services to telecommunications operators, financial institutions, public service customers and multinational companies, primarily in Luxembourg. Our customers include Telenet and Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police.

Portugal

We recently entered into a purchase agreement to acquire ONI, a leading B2B services provider in Portugal. ONI currently has a strong B2B sales and marketing force and diverse customer base and has attractive service offerings and distribution capabilities. We believe that this acquisition will allow us to expand our fixed-line product offering to a broader set of B2B customers at a lower cost as a result of our existing, extensive fully owned last mile cable network throughout Portugal. Services offered by ONI include broadband Internet access, telephony, virtual private network, leased lines, data center services and other corporate fixed-line services to small and large businesses. Upon completion of the acquisition, our customers will include European Maritime Safety Agency, Transportes Sul do Tejo, the Portuguese Ministry of Agriculture, the Portuguese Ministry of Finances, Turismo de Portugal, EFACEC, Continental Hotels, INATEL, ANA Group, HOVIONE, Viagens Abreu, Grupo Auto Sueco and Radio Televisao Portuguesa. We estimate that revenues and EBITDA for the last twelve months ended March 31, 2013 for ONI was approximately € 118 million and €16 million respectively.

Our Competitive Strengths

We believe that we benefit from the following key strengths:

We operate in markets with favorable operational dynamics. We operate in markets that enjoy a number of attractive trends for cable and cellular operators.

All of the countries in which we operate have historically had high consumption of television and high pay television penetration combined with a relatively weak free-to-air television proposition. As of December 31, 2012, pay television penetration in Israel was 66%, while penetration across the remainder of our footprint ranged from 66% in the French Overseas Territories (including those countries where Outremer operates) to 95% in Belgium, according to IHS and management estimates. According to IHS, such penetration rates compare well to 58% penetration at December 2012 for Western Europe.

Broadband penetration in Israel was approximately 69% as of December 31, 2012, with penetration rates across the remainder of our footprint ranging from 55% in the French Overseas Territories and in Portugal to 86% in Luxembourg, according to IHS and management estimates. The penetration rates in Israel, Belgium and Luxembourg are higher than the 62% average in Western Europe. In cellular, we operate in large and mature markets with market size based on total cellular revenue of approximately €2,919 million in Israel and €3,564 million in Belgium in calendar year 2012, according to Gartner. In the French Overseas Territories, where Outremer operates, the cellular market produces revenues of over €850 million according to management estimates.

We primarily compete with one or two large operators in pay television and broadband Internet access, notably in Israel where HOT has enjoyed stable market shares of approximately 61% in pay television and approximately 40% in broadband Internet infrastructure access over the past three years. Similarly, we are the sole cable operator in our footprint in Belgium and Luxembourg and the French Overseas Territories, primarily competing against DTH and IPTV in pay television and DSL in broadband Internet access. Finally, we currently face limited competition from Fiber-to-the-Home ("FTTH") in most of our footprints and have limited overbuild of our footprint by cable or fiber.

We operate in countries with favorable macroeconomic environments and outlooks. We operate in developed countries with high levels of GDP per capita, strong demographic trends and stable currencies. Israel, our largest geography of presence representing approximately 64% of our Group Pro Forma Adjusted EBITDA in the year ended December 31, 2012, has maintained a solid sovereign credit rating of A+/A1 and its New Shekel has remained stable over the past years against major world currencies. According to Euromonitor International, GDP per capita in 2012 and the projected GDP average growth rate and population CAGR for 2013-2016 were approximately $31,490, 3.5% and 1.6%, respectively for Israel. This compares well with Western European GDP and population which were projected to grow at rates of approximately 1.7% and 0.4%, respectively, over 2013-2016, according to Euromonitor International.

Our operations in Belgium and Luxembourg, which contributed approximately 10% of our Group Pro Forma Adjusted EBITDA for 2012, are located in one of the most developed areas of the European Union. Our footprint is located in Brussels, which is characterized by a growing population of highly skilled workers with significant reliance on products we offer for personal and professional purposes, as well as higher salaries than in the rest of Belgium, while Luxembourg is one of the richest and most developed countries in the world by GDP per capita. The French Overseas Territories have favorable demographics with substantial consumption of the products we offer and an attractive economic environment and, in addition, benefit from substantial subsidies from the French government that support the economy. On a pro forma basis assuming the completion of the Outremer Transaction, our operations in the French Overseas Territories represented 16% of our Group Pro Forma Adjusted EBITDA in 2012. Portugal, which contributed 7.3% of our Group Pro Forma Adjusted EBITDA in 2012 (excluding ONI), has experienced economic and financial difficulties due to government imbalances. It has, however, implemented a number of structural reforms and budget adjustments that we believe have put it on a stronger footing. GDP in Portugal is expected to reach a low point in 2013, after which the economy is expected to return to growth of 1.3% CAGR over 2013 to 2016, according to Euromonitor International.

Our state-of-the-art cable networks and advanced cellular networks enable us to offer attractive services. We believe that our highly invested fiber and coaxial cable networks in Israel, Belgium and Luxembourg, the French Overseas Territories of Guadeloupe and Martinique and Portugal allow us to offer in those markets attractive and competitive services in terms of picture quality, speed and connection reliability, as well as to benefit from important efficiencies in our operations, notably when compared to competing DSL-based and satellite infrastructures of our competitors. Our advanced cable networks have enabled us to significantly increase the number of channels we offer over time, as well as the amount of premium content and interactive functionalities available to our subscribers. In addition, our substantially upgraded cable networks have allowed us to successfully up-sell broadband Internet access services and affordable fixed-line telephony packages to our existing customer base. Our cable network in Israel passes most of Israel's 2.2 million households, which is unique to cable operators in most other countries. Most of our network in Israel is fully upgraded to U.S. Docsis 3.0, thus enabling us to offer most of Israel our triple-play services, including high speed broadband Internet access and advanced pay television services such as HDTV, VOD and PVR.

Similarly, we have undertaken important network upgrade projects in the other countries in which we own and operate cable networks in order to ensure an equally high level of service and quality. Our entire network in Belgium and Luxembourg is fully bi-directional and is EuroDocsis 3.0-enabled; in the French Overseas Territories of Guadeloupe and Martinique, our cable network is currently being upgraded to EuroDocsis 3.0, with over one third already completed, and in Portugal our cable network is fully 2-way/return enabled, with high node density, approximately 96% of which has been recently upgraded to EuroDocsis 3.0.

In Israel, we are currently building out an advanced UMTS cellular network that already covers approximately 46% of the population as of March 31, 2013 and we have a roaming agreement with one of our competitor's networks in order to ensure full territorial coverage while we complete the network build-out. Through the combination of the nationwide reach of our fiber and coaxial cable network's backbone and last mile infrastructures and our existing iDEN network in Israel, we are able to deploy our UMTS network in a much more efficient manner than would otherwise be possible. Our UMTS and iDEN cellular networks in Israel are integrated with our scalable cable network, which enables us to leverage the various networks, operations and distribution efficiencies inherent in such combined infrastructures.

In the French Overseas Territories, Outremer currently owns and operates networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies including backbone, backhaul and tower sites and owns mobile spectrum. In Belgium, where we do not own a cellular network, we offer cellular telephony services through an MVNO arrangement with one of our competitors' networks, which enables us to seamlessly serve our customers.

We have a proven multi-play strategy to drive growth and are at the forefront of the trend towards converged cable and cellular services. We expect cable customers to increasingly adopt bundled services and believe that cellular telephony will be increasingly added to other telecommunications bundles as cable-based services and cellular services converge in the territories where such bundles are permitted by regulation. In order to take advantage of the cable-cellular convergence, we are implementing a versatile cellular strategy by owning and operating a cellular network in Israel and by acquiring a cellular network in the French Overseas Territories that, in each case, will benefit from synergies with our scalable cable networks in those areas where our cable networks are located, and by complementing our fixed-line products with cellular offerings through an MVNO arrangement in Belgium.

We are a leading cable-based multi-play operator in Israel, our largest geography of presence based on its contribution to our Group Pro Forma Combined Revenue and Group Pro Forma Adjusted EBITDA, and we offer bundled cable-based services throughout the country. Our triple-play penetration in Israel was 36% as of March 31, 2013, a substantial increase since December 31, 2011 level of 28%, and our March 2012 level of 30%. We currently have a substantial subscriber base of pay television-only customers in Israel which we are actively converting to triple-play subscribers. Triple-play bundles made up over 50% of our gross sales in Israel in the first quarter of 2013. We also offer cellular services in Israel, which benefit from a strong common brand and distribution capabilities with our fixed-line business. Should the Israeli regulator permit this in the future, we would combine the cable-based and cellular businesses in order to offer attractive quadruple-play bundles, allowing our customers to benefit from fully integrated services.

In the remainder of our footprint, our success in multi-play is already significant in Portugal, where approximately 57% of our Cable Customer Relationships take triple-play, and is the least developed in the French Overseas Territories, where we see a significant potential for multi-play following the Outremer Transaction and as our cable network is progressively upgraded to allow the provision of additional multi-pay services in the coming months. We are already offering quadruple-play bundles in Belgium and expect to be able to do the same in the near to medium term in the French Overseas Territories, following the merger of Outremer and Le Cable, which we expect will allow us to become the only quadruple-play provider in the French Overseas Territories of Martinique and Guadeloupe.

We have a leading content offering in each of our pay television markets, which is based on our ability to source high quality content at attractive prices leveraging our scale and, in Israel, on certain award-winning local content we co-develop. We have 15 years of experience of content purchasing and, in the case of Israel, extensive experience of co-developing, which has been key to the success of our pay television product offerings and has established us as a leading pay television provider in each of our markets. We believe the high quality and popularity of the content purchased and/or developed by us and potentially only available to our subscribers is a significant factor in our customers' decision to continue to subscribe to our pay television offerings and minimizes churn.

In Israel, we have co-developed high-quality shows and have also developed several show platforms. HOT has longstanding partnerships with script writers and local production studios whereby we are involved in developing locally-produced pay television content, which is broadcast on our popular channel, "HOT 3". We also have a proven history of purchasing high-quality local content, in addition to the content that we co-develop, with a combined total investment of over €143 million in 2012. Furthermore, over the years, we believe that our involvement with local content production companies has allowed the HOT brand to benefit from the significant popularity of our television series, movies and shows among the Israeli population by leveraging the fame of the local actors and actresses in our marketing campaigns to promote our offerings.

In the other countries in which we operate, we have been able to leverage our purchasing know-how and our scale, in order to ensure we acquire content that is adapted to local tastes at competitive rates. We are constantly exploring opportunities to optimize the cost of programming and source exclusive content in local languages, as we believe this is central to our success.

We have a proven track record of realizing benefits and cost savings from economies of scale across our existing operations. We have expertise in operating cable providers in numerous countries and business environments, with a focus on optimization of costs and capital expenditures while fostering growth.

We have been successful at optimizing internal processes and outsourcing certain functions that aim to shift certain operational risks to third parties, while preserving the quality of service we provide to our subscribers. In addition, we have also implemented common technological platforms across our networks in order to gain economies of scale, notably with respect to cable customer premises equipment. We have realized operational efficiencies through, among other things, the negotiation of attractive interconnection rates and attractively priced high quality television content. Despite our scale, our efficient and effective decision making processes allow us to quickly react to changes in our operating environments and to take advantage of business opportunities as they arise.

We have realized significant cost savings and operational improvements across each of our businesses since they were acquired by us. For example, the EBITDA margin of HOT's cable-based services has increased by 5.5% since we acquired more than a majority of shares of HOT in 2010 and the EBITDA margin for Cabovisao has increased from 14.2% to 35.8% between December 2011 and March 2013. We have achieved significant cost savings in respect of our other operating companies as well. For example, the EBITDA margin for Coditel was 63.3% for the three months ended March 31, 2013.

Our businesses enjoy strong and recurring cash flows, which allow us to finance investments in growth opportunities. We enjoy significant recurring revenues both across our cellular and cable assets, as a result of a predominantly subscription-based revenue model. We hope to be able to increase this going forward with a focus on increasing our multi-play penetration across our operations, which we believe will reduce churn and increase customer loyalty. Primarily as a result of operational efficiencies implemented by HOT, HOT has increased cable-based EBITDA margins from 38.1% in 2010 to 50.5% in the three months ended March 31, 2013. Most of HOT's cable network is upgraded to U.S. Docsis 3.0, and as a result, HOT's cable-based business's capital expenditures are largely driven by network upgrades and customer acquisition related items such as customer premises equipment (CPE) and installations. HOT has a relatively high degree of control over the renewal cycle of CPEs and network upgrades, most of which are not essential given the significant level of investment in our cable network over the past several years. HOT made €84 million in capital expenditures in 2012 mainly building out its UMTS network, which covered approximately 46% of the Israeli population as of March 31, 2013. We will continue to invest in selected areas where we believe there are attractive opportunities, including ongoing build-out of our mobile network in Israel, as well as the upgrade of our cable network in the French Overseas Territories of Guadeloupe and Martinique.

We enjoy significant scale have business and geographic diversification. Our business enjoys significant scale as well as geographic and business diversification. We had Pro Forma Combined Revenue of approximately €1.3 billion and Pro Forma Combined Adjusted EBITDA of approximately €0.5 billion for the twelve months ended March 31, 2013. Israel continues to be our largest market, representing approximately 66% of Pro Forma Combined Revenue and 64% Pro Forma Combined Adjusted EBITDA for the twelve months ended March 31, 2013. However, we also have an important footprint in Western Europe (18% and 22% of Pro Forma Combined Revenue and Pro Forma Combined Adjusted EBITDA, respectively, for the twelve months ended March 31, 2013), in particular in Belgium and Luxembourg (6% and 10% of Pro Forma Combined Revenue and Pro Forma Combined Adjusted EBITDA, respectively, for the twelve months ended March 31, 2013), Portugal, not including ONI, (9% and 9% of Pro Forma Combined Revenue and Pro Forma Combined Adjusted EBITDA, respectively, for the twelve months ended March 31, 2013) and Switzerland (3% and 3% of Pro Forma Combined Revenue and Pro Forma Combined Adjusted EBITDA, respectively, for the twelve months ended March 31, 2013). In addition, an important part of our operations (including Outremer following the Outremer Transaction) is in the French Overseas Territories (17% and 17% of Pro Forma Combined Revenue and Pro Forma Combined Adjusted EBITDA, respectively, for the twelve months ended March 31, 2013), which are part of the French Republic and enjoy the euro as currency.

We have an experienced management team with a long term industry track record. We manage our company through a two-level structure, one level consisting of the Altice Corporate team and one comprising experienced managers of the various operating subsidiaries who are based in the countries in which we operate. We are also supported by an entrepreneurial shareholder with significant experience owning cable and telecommunications companies. The

Altice Corporate team has extensive experience in the cable and telecommunications sectors: Dexter Goei (CEO) worked for 16 years in investment banking, most recently as Head of Cable Advisory of Morgan Stanley, before joining Altice in 2009; Dennis Okhuijsen (CFO) worked for 17 years in the cable TV sector with UPC, UCG and Liberty Global, most recently as Group Treasurer of Liberty Global, managing a balance sheet of over $25bn before joining Altice in 2012; Jérémie Bonnin (Head of Corporate and Business Development and General Secretary) worked for 7 years at KPMG in transaction service before joining Altice in 2005. In addition, the management teams at our operating subsidiaries have significant experience managing day-to-day operations at various cable and telecommunications companies.

Our Strategy

We intend to increase revenues, profit margins and cash flow by striving to be the leading telecommunications company and the preferred provider of pay television, broadband Internet access, fixed-line telephony services and, in Israel and the French Overseas Territories, cellular services in each of our footprint areas. The key components of this strategy are to:

Continue to increase revenue growth and cash flow generation by increasing multi-play penetration and the average RGU per customer relationship. We expect to increase revenue by cross-selling our multi-play offerings to our existing subscribers of individual services. We have increased triple-play penetration, as reflected by the growing number of RGUs per customer relationship across Israel, Belgium and Luxembourg, Portugal and Guadeloupe and Martinique, from 1.96x as of December 31, 2011 to 2.07x as of March 31, 2013. In addition, we are offering cellular telephony services in Israel, Belgium and, following the Outremer Transaction, the French Overseas Territories. We expect to benefit from our cable-based services offerings to attract additional cellular telephony customers in the jurisdictions in which we offer those services and to market our cable-based services offerings to customers who only subscribe to our cellular telephony who are within our cable footprint or, following the completion of the Outremer Transaction, who subscribe to Outremer's DSL-based services. In addition, we expect to increase revenues from our television offerings by continuing to expand the penetration of our value-added and interactive services, such as VOD and PVR. We believe the large scale of our existing footprint and upgraded cable networks provide us with the platform to introduce new products and services to a large existing customer base and translate revenue growth into profitability and cash flow generation.

Increase broadband Internet access market share by leveraging our speed capabilities. We expect to increase broadband Internet access market shares across our cable footprint as our high-speed broadband Internet access offerings provide a compelling solution to the increasing demand by customers for high-bandwidth products. Our technologically advanced cable networks allows us to offer, at similar prices, faster broadband speeds than many of our competitors who employ technologies such as DSL or VDSL. Currently, we have fully upgraded the vast majority of our broadband Internet infrastructure to U.S. Docsis 3.0 or Eurodocsis 3.0, as applicable. We have limited cable overbuild and the overbuild by our cable competitors is concentrated mainly in Portugal. None of our competitors, with the exception of Portugal Telecom in parts of our footprint in Portugal, have invested significantly in FTTH which offers broadband speeds similar to our offering. As a result, we believe that we will be able to retain our speed advantage in the near future. We believe the speed advantage of our broadband Internet access product and high-quality service is an important differentiating factor compared to our competitors and will enable us to grow our broadband Internet access business by targeting customers who do not have broadband Internet access and DSL subscribers who are looking for higher download speeds and by incentivizing our existing television, fixed-line telephony and cellular, if offered, customers to add our broadband Internet access service to the bundle of products they purchase from us.

Gain market share in cellular services by offering competitively priced, simple and innovative cellular services propositions, including as part of quadruple-play bundles where possible. We expect to increase revenue and subscriber market shares in cellular services across our cellular footprint by offering competitively priced cellular services with simple and innovative service propositions. Depending on the legal requirements in the various geographies, we may offer fully integrated quadruple-play services, or leverage the brand and existing distribution capabilities of our fixed-line offering, providing important cost savings, as in Israel. Should regulations in Israel change, allowing for full mobile-cable convergence, we will aim to offer quadruple-play bundles throughout the country. In Israel, we own and operate a proprietary 3G cellular network, which enables us to provide faster data transmission services, permits higher traffic capacity and allows us to offer a wider range of handsets. In the French Overseas Territories, Outremer owns and operates a proprietary 2G/3G cellular network and intends apply for a 4G license when made available by the regulator in late 2013. We plan to further accelerate our growth in the cellular services sector by continuing to make disciplined investments that allow us to take advantage of developments in technology, including the transition to 4G technology. We also plan to increase revenues by expanding our presence in the market for cellular business telecommunication services.

Increase customer loyalty and reduce churn by creating superior cable-based product offerings. We aim to attract cable-based subscribers and reduce churn by differentiating our services across our footprint with offerings of superior television programming and premium services, including VOD libraries, as well as offering cellular services alongside our fixed-line products in certain markets. In addition, we believe our technologically advanced cable set-top box, deployed across our cable footprint, offers superior and differentiated services and functionalities. Our pay television service offering includes content and channels purchased from a variety of local and foreign producers. We continue to focus on broadcasting high quality content over all of our cable networks and seek to ensure we cater to local demand for content. In Israel, we co-develop leading original local content together with local producers and broadcast on our proprietary channels, such as the HOT suite of channels including HOT 3, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels. We believe that by distinguishing our brands through broadcasting the highly attractive content on our cable network targeted at the local market, we will be able to attract new subscribers to our cable-based services and will reduce churn by increasing brand loyalty among our existing subscribers.

Leverage our networks by combining existing B2C operations with B2B businesses where possible. We believe there are significant opportunities in servicing the growing demand for data transmission capacity in the B2B segment. We believe we are uniquely positioned to service this demand due to our existing dense state-of-the-art cable network infrastructures. In particular, in countries where we combine our cable network infrastructures with B2B communications businesses, we believe we can create highly compelling product offerings leveraging our cable network infrastructure, our fiber backbone network and our target B2B sales force, offering important economies of scale and synergies. In certain geographies, we may look to acquire existing B2B businesses, which are synergistic with our B2C operations. For example, in Portugal, we have agreed to acquire ONI, a leading B2B communications operator, which we plan to combine with our Cabovisão business that already owns extensive cable network infrastructure. We hope to replicate the success that cable operators in other markets have achieved, most notably in France where the cable operator Numericable is integrated with B2B services provider Completel, in which our controlling shareholder and certain members of our senior management have been involved. The benefits from combinations between our cable networks and B2B communication providers include a dedicated B2B sales that can leverage the dense cable network resulting in reduced local loop unbundling connection costs and the ability to provide B2B customers with unmatched bandwidth, as well as the possibility to expand product offering to customers that may not have been previously profitable, including SMEs.

Grow operating margins and increase cash flow by leveraging the expertise of Altice and our senior management team to achieve economies of scale and identify operational synergies. We have a successful track record of improving the performance of cable operators across our footprint. Our corporate management team has a history of managing cost-efficient operations and increasing return on capital expenditures through implementing best practices and lessons learnt across our portfolio. We expect to grow our operating margins by focusing on internal process efficiency and continued optimization of our operations and by reducing service costs through streamlining of our interface with our subscribers. In addition, we expect to grow our operating margins as a result of cost savings from reduced churn due to improvements in our service quality and subscriber satisfaction. Furthermore, we expect to realize economies of scale in operating and capital expenditures from the growth of our business, which we believe will result in additional operating margin improvements. In addition, we believe that our recent agreements to purchase of Outremer, a mobile and fixed-line player in the French Overseas Territories, and ONI, a leading B2B telecom provider in Portugal, are highly complementary to our existing cable operations in these geographies. In the French Overseas Territories, we hope to realize cost savings by leveraging a combined distribution network of points of presence across the footprint, benefit from international connectivity as a result of Outremer's international backbone, as well as benefit from cross-selling and up-selling opportunities between our cable-only and mobile-only customer bases through the launch of quadruple-play offerings in our cable footprint. In Portugal, we expect the acquisition of ONI will allow us to leverage our extensive cable network in Portugal and to benefit from operational efficiencies in order to provide higher quality B2B broadband services to existing and new clients at a reduced cost.

Build on proven track record to pursue a disciplined acquisition strategy. We have a successful track record of executing strategic acquisitions and have a clear, well-defined and disciplined acquisition strategy. We intend to continue to evaluate and pursue strategic transactions that can broaden our customer base, expand our geographic presence, provide complementary service and technical capabilities, further utilize our existing infrastructure and create operation efficiencies. The cable and telecommunications markets have recently been going through consolidation in Israel and Europe, including France. Our management team and shareholder constantly evaluate acquisition ideas with a focus on targeted, value-enhancing portfolio companies that generate stable cash flow and general operational synergies. We expect that any acquisition will create significant opportunities to reduce operating costs by eliminating duplicative overhead costs, leveraging supplier relationships and combined purchasing power of the Group to reduce overall capital and operating expenses.

Our Controlling Shareholder

Next L.P., founded by Patrick Drahi, is the parent company of Altice VII. Its purpose is to identify opportunities and make acquisitions, including in the telecommunications industry, and to create value through operational excellence. The company and its shareholders have developed a unique expertise in the telecommunications industry since 1994. It consolidated the cable sector in France, and also developed a strong presence in Israel, Portugal, Belgium, Luxembourg, Switzerland and the Caribbean, and has significant experience in investing capital in, structuring, financing and managing investments in and advising cable operators worldwide.

Altice VII

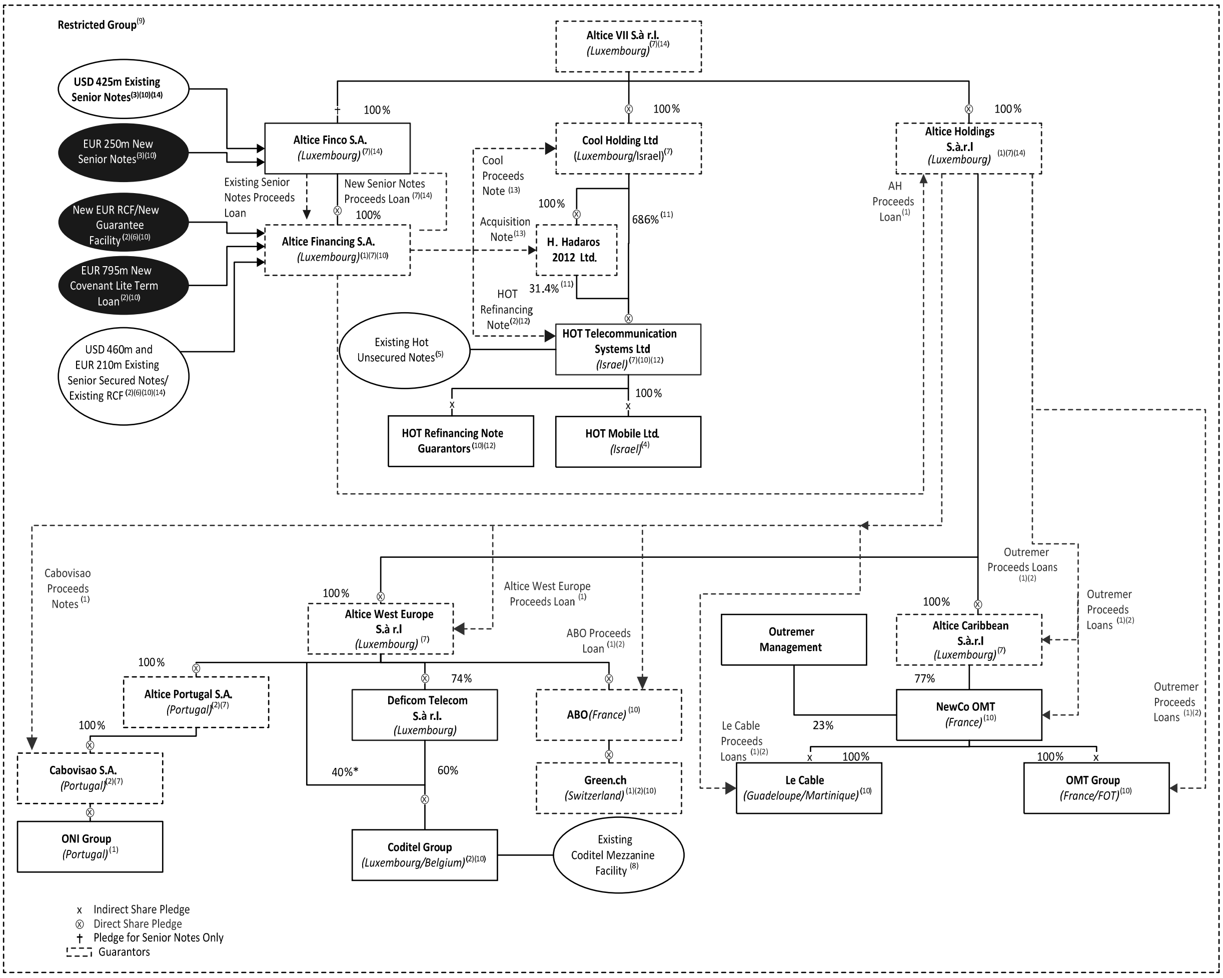
Altice VII is a private limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008. Prior to the Transactions, Altice VII served as the holding company for the assets being contributed to the Group by Altice VII in connection with the Fold-in, and certain other assets that on or prior to the Issue Date were transferred to affiliates of Altice VII and outside of the Group. As of the Issue Date, Altice VII will have no material assets, other than shares it owns in its subsidiaries that are members of the Group and indebtedness of such subsidiaries, and no material liabilities, other than indebtedness owed to its subsidiaries that are members of the Group and the preferred equity certificates and shareholder loan owed to Next L.P. See "*Capitalization*" and "*Related Party Transactions—Shareholder Funding*".

The Issuer

The Senior Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 3, boulevard royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B171151. The Senior Notes Issuer's business operations include only managing the financing activities of the Group. The Senior Notes Issuer's abilities to pay principal, interest and premium, if any, on the New Senior Notes is dependent, in large part, upon payments received from the Group pursuant to the Pledged Proceeds Notes and the Senior Notes Proceeds Loans. See "*Risk Factors—Risks Relating to the New Senior Notes and the Structure—The Senior Notes Issuer is a holding company and conducts no business of its own.*" and "*Summary Corporate and Financing Structure*" for more information.

SUMMARY CORPORATE AND FINANCING STRUCTURE

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



Restricted Group(9)
Altice VII S.à r.l. (Luxembourg)(7)(14)
USD 425m Existing Senior Notes(3)(10)(14)
EUR 250m New Senior Notes(3)(10)
New EUR RCF/New Guarantee Facility(2)(6)(10)
EUR 795m New Covenant Lite Term Loan(2)(10)
USD 460m and EUR 210m Existing Senior Secured Notes/ Existing RCF(2)(6)(10)(14)
100%
Altice Finco S.A. (Luxembourg)(7)(14)
Existing Senior Notes Proceeds Loan
New Senior Notes Proceeds Loan(7)(14)
100%
Altice Financing S.A. (Luxembourg)(1)(7)(10)
100%
Cool Holding Ltd (Luxembourg/Israel)(7)
Cool Proceeds Note(13)
100%
Acquisition Note(13)
H. Hadaros 2012 Ltd.
686%(11)
31.4%(11)
HOT Refinancing Note(2)(12)
Existing Hot Unsecured Notes(5)
HOT Telecommunication Systems Ltd (Israel)(7)(10)(12)
100%
HOT Refinancing Note Guarantors(10)(12)
HOT Mobile Ltd. (Israel)(4)
100%
Altice Holdings S.à.r.l (Luxembourg)(1)(7)(14)
AH Proceeds Loan(1)
Cabovisao Proceeds Notes(1)
Altice West Europe Proceeds Loan(1)
ABO Proceeds Loan(1)(2)
Outremer Proceeds Loans(1)(2)
Outremer Proceeds Loans(1)(2)
Outremer Proceeds Loans(1)(2)
100%
Altice West Europe S.à r.l (Luxembourg)(7)
100%
Altice Portugal S.A. (Portugal)(2)(7)
100%
Cabovisao S.A. (Portugal)(2)(7)
ONI Group (Portugal)(1)
74%
Deficom Telecom S.à r.l. (Luxembourg)
40%*
60%
Coditel Group (Luxembourg/Belgium)(2)(10)
Existing Coditel Mezzanine Facility(8)
ABO (France)(10)
Green.ch (Switzerland)(1)(2)(10)
Outremer Management
100%
Altice Caribbean S.à.r.l (Luxembourg)(7)
77%
23%
NewCo OMT (France)(10)
Le Cable Proceeds Loans(1)(2)
100%
Le Cable (Guadeloupe/Martinique)(10)
100%
OMT Group (France/FOT)(10)
x Indirect Share Pledge
⊗ Direct Share Pledge
† Pledge for Senior Notes Only
Guarantors

(1) In connection with the Transactions, the Existing Senior Secured Notes Issuer will enter into a €795 term loan credit agreement (the "New Term Loan"), which will be its senior secured obligation, a €50 million super-senior revolving credit facility (the "New Revolving Credit Facility") and a €75 million guarantee facility (the "New Guarantee Facility"), and the Senior Notes Issuer will issue the New Senior Notes, which will be its senior obligations.

The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, so long as the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be no less than €500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time. The Initial Purchasers has deposited the gross proceeds from the offering of the New Senior Notes into a segregated escrow account, pending satisfaction of the Escrow Release Condition, for the benefit of the holders of the New Senior Notes. The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. Upon release of the proceeds from escrow, the Senior Notes Issuer will make an intercompany loan of the gross proceeds of the offering of the New Senior Notes (the "New Senior Notes Proceeds Loan") to the Existing Senior Secured Issuer, which will in turn use amounts borrowed under the New Senior Notes Proceeds Loan, the proceeds of one or more draws under the New Term Loan and cash on hand:

a. to make an aggregate €933 million proceeds loan (the "AH Proceeds Loan") to Altice Pool (which may be assumed by Altice Holdings in the event Altice Holdings is the surviving entity following the merger of Altice Pool and Altice Holdings as described in note 14 below) of which (x) €203 million will be consideration for the Cabovisao Refinancing described under sub-clause (b) below and (y) € 730 million will be loaned in cash to enable Altice Holdings to:

    (i) make intercompany loans to, or purchase bonds issued by, Cabovisao in an amount of €85 million (together with the existing € 24 million of Cabovisao bonds held by Altice Holdings, the "Cabovisao Proceeds Notes"), the proceeds of which are expected to be used by Cabovisao to consummate the ONI Transaction;

    (ii) purchase, directly or indirectly, substantially all outstanding interests of the existing lenders under the Existing Coditel Senior Facility (€138 million as of March 31, 2013, out of which € 7 million will be prepaid using cash on the balance sheet of Coditel) (the "Coditel Refinancing");

    (iii) make an intercompany loan in an amount of €85 million to Altice West Europe ("Altice West Europe Proceeds Loan") which will be used to consummate the Coditel Acquisition;

    (iv) in connection with the Outremer Transaction, make (A) a €80 million intercompany loan to Altice Caribbean (which will be used to subscribe to convertible bonds issued by NewCo OMT (the "NewCo Convertible Bonds")), (B) a €106 million intercompany loan to NewCo OMT; (C) a €147 million intercompany loan to OMT Invest (out of which OMT Invest will make a €26 million intercompany loan to Group Outremer Telecom (the "GOT On-Loan")), and (D) a €25 million intercompany loan to Outremer Telecom (collectively, but excluding the NewCo Convertible Bonds and the GOT On-Loan, the "Outremer Proceeds Loans");

    (v) make a €8 million intercompany loan to Martinique TV Câble S.A. ("Le Cable Martinique") and a €14 million intercompany loan to World Satellite Guadeloupe S.A. ("Le Cable Guadeloupe") (collectively, the "Le Cable Proceeds Loans") to refinance certain existing indebtedness (the "Le Cable Refinancing");

    (vi) make a €48 million intercompany loan to Altice Blue One ("ABO") (the "ABO Proceeds Loan") to refinance certain existing indebtedness (the "ABO Refinancing"); and

    (vii) make a €135 million payment to Altice VII as the Deferred Consideration as described in note 14 below.

b. to assume the obligations of Altice Holdings under, and repay, the Existing Cabovisao Bridge Facility (€203 million including accrued interest) (the "Cabovisao Refinancing") in connection with which the collateral securing the Existing Cabovisao Bridge Facility will be assigned to secure the Senior Secured Debt;

c. to pay €30 million in fees and expenses incurred in connection with the Transactions.

The AH Proceeds Loan, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Notes are referred to collectively as the "Senior Secured Issuer Pledged Proceeds Notes". The ABO Proceeds Loan, the Cabovisao Proceeds Notes, the Altice West Europe Proceeds Loan, the Outremer Proceeds Loans and the Le Cable Proceeds Loans are referred to collectively as the "Covenant Party Pledged Proceeds Loans". The Covenant Party Pledged Proceeds Loans and the Senior Secured Issuer Pledged Proceeds Notes are referred to collectively as the "Pledged Proceeds Notes". The actual amounts of the proceeds loans may differ from the amounts above depending on several factors. See "*Use of Proceeds*".

The Cabovisao Refinancing, the Coditel Refinancing, the ABO Refinancing and the Le Cable Refinancing are expected to be completed on the date of release of the proceeds from escrow (the "Escrow Release Date"). The consummation of the Coditel Acquisition is not subject to regulatory approvals and is expected to occur by November 29, 2013. The Outremer Transaction is expected to occur by July 15, 2013. The consummation of the ONI Transaction is subject to regulatory approval and is expected to occur by August 31, 2013. For details, see "*The Transactions*".

(2) The Existing Senior Secured Notes, the New Term Loan, the Existing Revolving Credit Facility, the New Revolving Credit Facility and the New Guarantee Facility (collectively, the "Senior Secured Debt") will be guaranteed (the "Senior Secured Guarantees") by Altice VII, Cool Holding, SPV1, Altice Pool, Altice Holdings, Altice West Europe, Altice Caribbean, upon completion of the ABO Refinancing, by ABO and Green and, upon completion of the Cabovisao Refinancing, by Altice Portugal and Cabovisao (collectively, the "Senior Secured Guarantors"). The Senior Secured Debt and the Senior Secured Guarantees will be secured by:

a. first-ranking pledges over all of the share capital of the Existing Senior Secured Notes Issuer and the Senior Secured Guarantors (other than Altice VII);

b. a first-ranking pledge over the bank accounts and all receivables of the Existing Senior Secured Notes Issuer, including the Senior Secured Issuer Pledged Proceeds Notes,

c. first-ranking pledges over all of the material assets of each Senior Secured Guarantor, including the capital stock of HOT (other than the HOT Minority Shareholder Call Options and the HOT Management Options (as defined in "Management and Governance") and the Covenant Party Pledged Proceeds Loans;

d. first-ranking pledges over the New Senior Notes Proceeds Loans;

e. a first-ranking pledge over the interest free loan from Altice VII to Cool Holding (the "Cool Shareholder Loan"); and

f. an assignment for security purposes of claims and rights relating to bank accounts of Green in Switzerland (subject to local standard rights of the account bank to set off its claims and a lien to secure such claims) and an assignment for security purposes of account receivables and inter-company receivables of Green.

The Senior Secured Debt will be secured by a pledge of the HOT Refinancing Notes and thereby benefit from the guarantees and security provided with respect to the HOT Refinancing Notes (up to the amount outstanding under the HOT Refinancing Notes). See note 10 below. The HOT Refinancing Notes (including principal and interest payments) are guaranteed by the HOT Refinancing Note Guarantors and are secured by a pledge over substantially all of the assets of HOT (including all of the share capital of HOT Mobile) and the HOT Refinancing Note Guarantors but, in each case, excluding licenses granted by the Israeli Ministry of Communications and certain end-user equipment, with respect to which HOT is not permitted to grant a security interest (the "HOT Refinancing Note Collateral").

Following the completion of the Cabovisao Refinancing, the Senior Secured Debt will be directly secured by the capital stock of Altice Portugal and Cabovisao, the receivables and other rights of Altice Holdings and/or Altice West Europe over Altice Portugal, the receivables and other rights of Altice Portugal over Cabovisao, the existing Cabovisao Proceeds Notes (€24 million outstanding), the bank accounts of Cabovisao and the Cabovisao business as a going concern, which will be subject to the Aggregate Portuguese Guarantee Limit.

The Senior Secured Debt may also be secured by an additional €85 million additional of Cabovisao Proceeds Notes, if the ONI Transaction is consummated.

Following the completion of the Coditel Refinancing, the Senior Secured Debt will be secured by a pledge of Altice Holdings' interests under the Existing Coditel Senior Facility and thereby benefit from the guarantees and security provided with respect to the Existing Coditel Senior Facility (up to the amount outstanding under the Existing Coditel Senior Facility). See note 10 below. The Existing Coditel Senior Facility is guaranteed by Coditel Luxembourg and is secured by a pledge of shares and other equity interests in Coditel Holding and Coditel Belgium, receivables and bank accounts of Coditel Holdings and its parent company, including the € 106 million intercompany loan to Coditel Belgium (the "Existing Coditel Proceeds Loan"), and trade, insurance, intra-group and other receivables and bank accounts of Coditel Luxembourg. In addition, as a result of the pledge of the Existing Coditel Proceeds Loans, lenders under the Existing Coditel Senior Facility indirectly benefit from a second ranking pledge of shares in Coditel Luxembourg and security over receivables provided by Coditel Belgium.

Following the completion of the Outremer Transaction, the Senior Secured Debt will be secured by a pledge of the Outremer Proceeds Loans and the Le Cable Proceeds Loans and will thereby benefit from the security that will secure the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the NewCo Convertible Bonds and the GOT On-Loan (in each case, up to the amount outstanding under the relevant intercompany loan). See note 10 below. Each Outremer Proceeds Loan, each Le Cable Proceeds Loan, the NewCo Convertible Bonds and the GOT On-Loan will be secured by a pledge of assets of the relevant company that is the borrower or issuer under such intercompany loan or convertible bonds, including capital stock of the direct subsidiaries held by such borrower or issuer (other than subsidiaries in Mauritius and excluding shares held by Altice Caribbean in NewCo OMT), receivables of such borrower or issuer and other significant assets (excluding network assets) owned by such borrower or issuer.

Following the completion of the ABO Refinancing, the Senior Secured Debt will be secured by a pledge over the bank accounts and certain receivables of ABO, including the intercompany loan from ABO to Green (the "Green On-Loan") and a pledge over the capital stock of Green held by ABO (up to an amount outstanding under the ABO Proceeds Loan). As of the date of this Offering Memorandum, ABO owns approximately 99% of the capital stock of Green. In addition, following the completion of the ABO Refinancing the Senior Secured Debt will be directly secured by a second ranking pledge over bank accounts and a first ranking pledge over receivables of Green (up to an amount outstanding under the Green On-Loan), as well as by a pledge of the shares of ABO owned by Altice West Europe.

The obligations of a Senior Secured Guarantor under its Senior Secured Guarantee and the obligation of guarantors under the other guarantees described above will be limited as necessary to prevent the relevant Senior Secured Guarantee or guarantee from constituting a fraudulent conveyance under applicable law (if any), or otherwise to reflect limitations under applicable law or capital maintenance regulations (if any).

(3) Prior to the Escrow Release Date, the New Senior Notes will not be guaranteed. On the Escrow Release Date, the New Senior Notes and the Existing Senior Notes (together, the "Senior Notes") will be guaranteed on a senior subordinated basis (the "Senior Notes Guarantees" and, together with the Senior Secured Guarantees, the "Guarantees") by the Existing Senior Secured Notes Issuer, Altice VII, Cool Holding, SPV1, Altice Pool, Altice Holdings, Altice West Europe, Altice Caribbean, upon completion of the ABO Refinancing, by ABO and Green

and, upon completion of the Cabovisao Refinancing, by Altice Portugal and Cabovisao (the "Senior Notes Guarantors" and, together with the Senior Secured Guarantors, the "Guarantors"). The Senior Notes and the Senior Notes Guarantees will be secured by:

a. a first-ranking pledge over all of the share capital of the Senior Notes Issuer;

b. second-ranking pledges over all of the share capital of the Existing Senior Secured Notes Issuer, Cool Holding and Altice Pool;

c. second-ranking pledges over the Senior Notes Proceeds Loans; and

d. a second-ranking pledge over the Cool Shareholder Loan.

The maximum liability of Altice Portugal and Cabovisao under their Senior Secured Guarantees and Senior Notes Guarantees collectively will be limited to the Aggregate Portuguese Guarantee Limit (€95 million) since the Senior Notes Guarantees are subordinated in right of payment to the Senior Secured Debt, including the Senior Secured Guarantees by Altice Portugal and Cabovisao, the Aggregate Portuguese Guarantee Limit will effectively mean that the creditors of the Senior Secured Debt will be entitled to all amounts available from Altice Portugal and Cabovisao in the event of enforcement unless such Senior Secured Debt is repaid through other means.

The obligations of a Senior Notes Guarantor under its Senior Notes Guarantee will be limited as necessary to prevent the relevant Senior Notes Guarantee from constituting a fraudulent conveyance under applicable law (if any), or otherwise to reflect limitations under applicable law or capital maintenance regulations (if any). See "*Limitation on Validity and Enforceability of Guarantees and the Security Interests*" and "*Risk Factors—Risks Relating to the New Senior Notes and the Structure—Corporate benefit and financial assistance laws and other limitations on the obligations under the Senior Notes Guarantees may adversely affect the validity and enforceability of the Senior Notes Guarantees*".

(4) In connection with its cellular license for 3G services, HOT Mobile provided a bank guarantee in the amount of NIS 695 million to the State of Israel. See note 25c to HOT's financial statements for the year ended December 31, 2012, included elsewhere in this Offering Memorandum. HOT Mobile's obligation to the bank that issued such guarantee is secured by a pledge of all of its assets. For more information, see "*Description of Other Indebtedness—License Guarantees*". HOT Mobile is not a guarantor under the HOT Refinancing Note. HOT Mobile will not be a Guarantor or provide any security with respect to the Senior Secured Debt or the Senior Notes.

(5) The Existing HOT Unsecured Notes are senior unsecured obligations of HOT which mature on September 30, 2018. As of March 31, 2013, the total principal amount of the Existing HOT Unsecured Notes outstanding was NIS 1,389 million. The Existing HOT Unsecured Notes will be:

a. effectively subordinated to the HOT Refinancing Notes and the guarantees thereof granted by the HOT Refinancing Note Guarantors to the extent of the lesser of (x) the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantees thereof and (y) the amount owing under the HOT Refinancing Notes;

b. *pari passu* with the HOT Refinancing Notes to the extent the amount of the HOT Refinancing Notes exceeds the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantee thereof; and

c. structurally senior to the Senior Secured Debt and the Senior Notes and the guarantees thereof granted by the Guarantors.

The Existing HOT Unsecured Notes are not subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool Holding or HOT pursuant to the Intercreditor Agreement, the debt claims of the holders of the Existing HOT Unsecured Notes are not required to be released or otherwise transferred.

(6) Pursuant to the terms of the Intercreditor Agreement, the lenders under the Existing Revolving Credit Facility and the New Revolving Credit Facility (together, the "Revolving Credit Facilities") and certain hedge counterparties will be entitled to receive payments from the proceeds of any enforcement of such security and from certain distressed disposals of the property and assets subject to such security prior to the holders of the Senior Secured Debt and the Senior Notes. See "*Description of Other Indebtedness—Existing Revolving Credit Facility Agreement*" and "*Description of Other Indebtedness—New Revolving Credit Facility Agreement*".

(7) Each Guarantor (other than Cabovisao and Green) is a holding company and does not conduct any operations and is wholly dependent on payments from its respective subsidiaries to meet its obligations, including its obligations under its Guarantee of the Senior Secured Debt and the Senior Notes and respective Pledged Proceeds Note.

(8) The Existing Coditel Mezzanine Facility constitutes subordinated obligations of Coditel Holding and Coditel Luxembourg as borrower and guarantor respectively, which mature on September 30, 2018. As of March 31, 2013, the total principal amount of the Existing Coditel Mezzanine Facility was €106 million. The Existing Coditel Mezzanine Facility Agreement contains call protection provisions that require a make-whole premium to be paid in case of prepayment prior to November 2014. After November 2014, the Existing Coditel Mezzanine Facility can be prepaid at 106.875% (until November 2015), 103.475% (from November 2015 until November 2016) and at par thereafter. The Existing Coditel Mezzanine Facility is:

a. subordinated to the Existing Coditel Senior Facility;

b. structurally senior to the Senior Secured Debt and the Senior Notes and the guarantees thereof granted by the Guarantors; and

c. subject to the Existing Coditel Intercreditor Agreement.

Any enforcement action with respect to, and recovery under, the Existing Coditel Senior Facility or the Existing Coditel Proceeds Loan will also be subject to the Existing Coditel Intercreditor Agreement.

(9) The Senior Notes Issuer is subject to the covenants in the New Indenture and the Existing Senior Notes Indenture. Altice VII, which is currently not within the "restricted group" for purposes of the Existing Notes Indentures and the Existing Revolving Credit Facility Agreement, has become a part of the Restricted Group (and a guarantor) for the New Indenture and will become a part of the Restricted Group (and a guarantor) the New Term Loan and the New Revolving Credit Facilities pursuant to the Transactions. Altice VII will also become a guarantor under the Existing Senior Secured Notes Indenture, the Existing Senior Notes Indenture and the Existing Revolving Facilities Agreement on Escrow Release Date, but will not be subject to the covenants thereunder.

(10) The Senior Secured Debt and the Senior Notes do not constitute direct obligations of any members of the Group that are not Guarantors, including HOT, the HOT Refinancing Note Guarantors, Coditel Holding and NewCo OMT and any of their respective subsidiaries. Upon an event of default under the Senior Secured Debt or the Senior Notes, any member of the Group that is not a Guarantor, including HOT, the HOT Refinancing Note Guarantors, Coditel Holding and NewCo OMT or any of their respective subsidiaries shall not be liable in any way, including by way of cross default, and shall not be required to repay any amounts outstanding, including any repayment premiums and accrued and unpaid interest thereon, under the Senior Secured Debt or the Senior Notes.

HOT and the HOT Refinancing Note Guarantors will only be liable for their obligations as borrower and guarantors respectively under the HOT Refinancing Notes. Therefore, the obligations of HOT and the HOT Refinancing Note Guarantors will be limited to an aggregate amount equal to the amount outstanding under the HOT Refinancing Notes, which may vary from time to time in accordance with the terms of the HOT Refinancing Notes. As of March 31, 2013, the amount outstanding under the HOT Refinancing Notes was NIS 1,900 million.

Coditel Holding S.A. and Coditel Luxembourg will only be liable for their obligations as borrower and guarantor respectively under the Existing Coditel Senior Facility. In addition, Coditel Belgium will only be liable for its obligations under the Existing Coditel Proceeds Loan. Therefore, the obligations of Coditel Holding S.A., Coditel Luxembourg and Coditel Belgium will be limited to an aggregate amount equal to the amount outstanding under the Existing Coditel Senior Facility and the Existing Coditel Proceeds Loan, as applicable, which may vary from time to time in accordance with their terms. Further, any enforcement action with respect to, and recovery under, the Existing Coditel Senior Facility or the Existing Coditel Proceeds Loan will be subject to the Existing Coditel Intercreditor Agreement.

Each borrower or issuer under the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the NewCo Convertible Bonds and the GOT On-Loan will only be liable for their obligations under the relevant intercompany loan or convertible bonds. Therefore, the obligations of each borrower or issuer under the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the NewCo Convertible Bonds and the GOT On-Loan will be limited to an amount equal to the amount outstanding under the relevant intercompany loan or convertible bonds, which may vary from time to time in accordance with their terms. See note 1 above.

HOT, the HOT Refinancing Note Guarantors, Coditel Holding S.A., Coditel Luxembourg and the borrowers under the Le Cable Proceeds Loans will only have liability to the holders of the Senior Secured Debt in the event of an event of default under the HOT Refinancing Notes, the Existing Coditel Senior Facility, or the relevant Le Cable Proceeds Loan, as applicable, in each case, indirectly as a result of an assignment of the relevant Pledged Proceeds Note and/or the ability of the holders of the Senior Secured Debt to direct the actions of the Existing Senior Secured Notes Issuer or Altice Holdings, as applicable, in connection with the Pledged Proceeds Notes in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. The borrowers under the Outremer Proceeds Loans and the GOT On-Loan will only have liability to the holders of the Senior Secured Debt in the event of an event of default under the Outremer Proceeds Loans or the GOT On-Loan, as applicable (which is subject to an equity cure) and an event of default under the Senior Secured Debt indirectly as a result of an assignment of the relevant Outremer Proceeds Loan or the GOT On-Loan, as applicable and/or the ability of the holders of the Senior Secured Debt to direct the actions of Altice Holdings in connection with the pledged Outremer Proceeds Loan or the GOT On-Loan, as applicable in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby.

Coditel Belgium will only have liability to the holders of the Senior Secured Debt in the event of an event of default under the Existing Coditel Proceeds Loan, indirectly as a result of a pledge of the Existing Coditel Proceeds Loan in favor of the lenders under the Existing Coditel Senior Facility and the assignment of Altice Holding's interest thereunder and/or the ability of the holders of the Senior Secured Debt to direct the actions of the Altice Holdings (and indirectly Coditel Holding S.A) in connection with the Existing Coditel Senior Facility in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. Any enforcement action with respect to, and recovery under, the Existing Coditel Senior Facility or the Existing Coditel Proceeds Loan will also be subject to the Existing Coditel Intercreditor Agreement.

With respect to the NewCo Convertible Bonds, NewCo OMT Invest will only have liability to the holders of the Senior Secured Debt in the event of an event of default under the NewCo Convertible Bonds, indirectly as a result of an assignment of the NewCo Convertible Bonds by Altice Caribbean in favor of Altice Holdings and the assignment of the relevant Pledged Proceeds Note.

With respect to the GOT On-Loan, Group Outremer Telecom will only have liability to the holders of the Senior Secured Debt in the event of an event of default under the GOT On-Loan, indirectly as a result of an assignment of the GOT On-Loan by OMT Invest in favor of Altice Holdings and the assignment of the relevant Pledged Proceeds Note.

(11) Cool Holding and SPV1 collectively own 100% of the outstanding shares of HOT. Pursuant to the HOT Minority Shareholder Agreements, during the 24-month period commencing on the first anniversary of the Take-Private Transaction, the HOT Minority Shareholders will have the right to purchase shares of HOT sold pursuant to the Take-Private Transaction (representing approximately 11% of the outstanding shares of HOT) at a price of NIS 48 per share from SPV1. See "*Management and Governance—HOT Minority Shareholder Agreements*". In the event that the HOT Minority Shareholders exercise their rights to acquire shares of HOT, such shares will be released from the pledges that secure the Senior Secured Debt. If the HOT Minority Shareholders exercise such rights, the HOT Minority Shareholders will own approximately 11% of the share capital of HOT. In addition, the HOT Minority Shareholder Agreements grant certain rights to the Minority Shareholders, including, after the exercise of any such rights to acquire shares of HOT, the right to approve certain asset dispositions and the incurrence of material indebtedness. The HOT Minority Shareholder Agreements and the rights granted thereunder to the Minority Shareholders will continue to apply following any enforcement of the pledges over the capital stock of HOT or Cool Holding.

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

(12) All of the assets of HOT are currently pledged on a second priority basis to the State of Israel to secure certain payment obligations (which are subordinated to the HOT Refinancing Notes) related to our ownership of the cable network. The final installment of such payment obligations will be due on January 1, 2015. As of March 31, 2013, the total amount of such payment obligations was approximately NIS 75 million. See "*Description of HOT's Business—Material Contracts—Agreement with State of Israel relating to ownership of our cable network*".

(13) On December 27, 2012, the proceeds from the Existing Notes were used to purchase the Cool Proceeds Note, the Acquisition Note, the HOT Refinancing Note and to pay certain fees and expenses incurred in connection with the 2012 Transaction and for general corporate purposes.

(14) Assumes Altice Holdings will be the surviving entity following the Fold-In. On or prior to the Escrow Release Date, Altice VII will transfer all of the share capital of Altice Holdings and the other entities that will constitute the Group on such date (other than the Senior Notes Issuer and Cool Holding and their respective subsidiaries) to Altice Pool in exchange for a €135 million vendor note that matures prior to the first anniversary of the Escrow Release Date (the "Deferred Consideration"). The transactions described above are collectively referred to as the "Fold-In". Following the Escrow Release Date, Altice Pool will merge with Altice Holdings (with Altice Pool or Altice Holdings as the surviving company). In the event Altice Holdings is the surviving entity, Altice Holdings will assume all the rights and obligations of Altice Pool, including the Deferred Consideration and the AH Proceeds Loan, and Altice VII will provide a first-ranking pledge over all of the share capital of Altice Holdings to secure the Senior Secured Debt and the Senior Secured Guarantees and a second-ranking pledge over all of the share capital of Altice Holdings to secure the Senior Notes and the Senior Notes Guarantees. Subject to certain conditions contained in the New Indenture, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan, Altice VII will be entitled to make a distribution to its shareholder in an amount equal to the Deferred Consideration. See "*Use of Proceeds*".

THE OFFERING

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

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

Notes Offered .... €250 million aggregate principal amount of 9% senior notes due 2023 (the "New Senior Notes").

Maturity Date................................... June 15, 2023

Interest 9.000%

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

Denomination .... The New Senior Notes are in denominations of €100,000 and any integral multiples of €1,000 in excess of €100,000. New Senior Notes in denominations of less than €100,000 will not be available.

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

Ranking.. The New Senior Notes:

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

Guarantees .... The New Senior Notes have not been guaranteed on the Issue Date. On the Escrow Release Date, the New Senior Notes will be guaranteed on a senior subordinated basis (the "Senior Notes Guarantees") by Altice VII, Cool Holding, SPV1, Altice Pool, Altice Holdings, Altice West Europe, Altice Caribbean, upon completion of the ABO refinancing by ABO and Green, and, upon completion of the Cabovisao Refinancing by Altice Portugal and Cabovisao (the "Senior Notes Guarantors").

Ranking of the Guarantees .... Each Senior Notes Guarantee will, on the Escrow Release Date,

- be a senior subordinated obligation of the relevant Senior Notes Guarantor;
- be subordinated in right of payment with any existing and future Indebtedness of the relevant Senior Notes Guarantor that is not subordinated in right of payment to such Senior Notes Guarantor's Senior Notes Guarantee;
- rank *pari passu* in right of payment to all existing and future senior subordinated Indebtedness of the relevant Senior Notes Guarantor;
- rank senior in right of payment to all existing and future Indebtedness of the relevant Senior Notes Guarantor that is expressly subordinated in right of payment to such Senior Notes Guarantor's Senior Notes Guarantee;
- be effectively subordinated to any existing and future Indebtedness of the relevant Senior Notes Guarantor that is secured by property or assets that do not secure such Senior Notes Guarantor's Senior Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness; and
- be effectively subordinated to the Indebtedness and other obligations of any member of the Group that does not guarantee the New Senior Notes.

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

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

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

On the Escrow Release Date, the New Senior Notes will be secured by:

- a first-ranking share pledge over all of the share capital of the Senior Notes Issuer;
- second-ranking share pledges over all of the share capital of the Existing Senior Secured Notes Issuer, Cool Holding and Altice Pool;
- a second-ranking pledge over the Cool Shareholder Loan; and
- second-ranking pledges over the Senior Notes Proceeds Loans.

In the event Altice Holdings is the surviving entity of the merger of Altice Pool and Altice Holding after the Escrow Release Date, as described under "The Transactions—Fold-In", the New Senior Notes will be secured by a second-ranking pledge over all of the share capital of Altice Holdings.

Escrow of Proceeds; Special Mandatory Redemption................ Pending satisfaction of the Escrow Release Condition, the Initial Purchasers will, concurrently with the closing of the offering of the New Senior Notes on the Issue Date, deposit the gross proceeds of this offering of New Senior Notes into a segregated escrow account (the "Escrow Account") pursuant to the terms of an escrow deed (the "Escrow Agreement") dated as of the Issue Date among, *inter alios*, the Senior Notes Issuer, the Trustee and Citibank, N.A., London Branch, or another similarly reputable escrow agent, as escrow agent (the "Escrow Agent"). The Escrow Account will be controlled by, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the New Senior Notes. The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. If the Escrow Release Condition does not occur prior to July 15, 2013 or upon the occurrence of certain other events, the New Senior Notes will be subject to a special mandatory redemption at a price equal to 100% of the initial issue price of each New Senior Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date.

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

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

Optional Redemption .... Prior to June 15, 2018, the Senior Notes Issuer may redeem all or a portion of the New Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Senior Notes Issuer may redeem some or all of the New Senior Notes at any time on or after June 15, 2018, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. See "*Description of Notes—Optional Redemption*".

In addition, prior to June 15, 2016, the Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the New Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.000% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the New Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. See "*Description of Notes—Optional Redemption*".

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

In the event of certain developments affecting taxation or certain other circumstances, the Senior Notes Issuer may redeem the New Senior Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of Notes—Redemption for Changes in Withholding Taxes*".

Certain Covenants — The Senior Notes Issuer has issued the New Senior Notes under the New Indenture. The New Indenture limits, among other things, the ability of the Group:

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

These covenants will be subject to a number of important exceptions and qualifications. For more details, see "*Description of Notes*".

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

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

Use of Proceeds — The gross proceeds from the sale of the New Senior Notes will be deposited into a segregated escrow account for the benefit of the holders of the New Senior Notes, pending satisfaction of the conditions to release such proceeds. Upon release from escrow, the Senior Notes Issuer will use the proceeds of the offering of the New Senior Notes to make the New Senior Notes Proceeds Loan to the Existing Senior Secured Notes Issuer which will in turn use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of one or more draws under the New Term Loan to make the AH Proceeds Loan and to pay certain fees and expenses incurred in connection with the Transactions and for general corporate purposes. See "*The Transaction*" and "*Use of Proceeds*".

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

Trustee — Citibank, N.A., London Branch.

Principal Paying Agent and Transfer Agent — Citibank, N.A., London Branch.

Registrar — Citigroup Global Markets Deutschland AG.

Governing Law — The New Indenture and the New Senior Notes will be governed by the laws of the State of New York. The security documents governing the Senior Notes Collateral will be governed by and construed in accordance with the laws of Luxembourg, Israel and England, as applicable. See "*Description of Notes—Security*". The application of the provisions set out in Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded.

Risk Factors .... Please see "Risk Factors" for a description of certain of the risks you should carefully consider before investing in the New Senior Notes.

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

Certain ERISA Considerations .... The New Senior Notes and any interest therein may, subject to certain restrictions described herein under "Certain Employee Benefit Plan Considerations", be sold and transferred to ERISA Plans (as defined in this Offering Memorandum). See "*Certain Employee Benefit Plan Considerations*".

SUMMARY FINANCIAL AND OTHER DATA

Summary Unaudited Combined Entities Pro Forma Financial Information

Following the completion of the Transactions, the Group will comprise of the following operating entities that have historically reported their financial results independently: HOT and its subsidiaries, Cabovisao, Coditel Holding and its subsidiaries, Group Outremer Telecom and its subsidiaries, Le Cable Martinique, Le Cable Guadeloupe, Green and ONI. No historic financial information that consolidates the results of operations of these operating entities is available.

The Combined Entities Pro Forma Financial Statements are derived from an aggregation of the income statements and balance sheets of Cabovisao, Group Outremer Telecom, Cool Holding or HOT, as applicable, Green, Coditel Holding, Le Cable Martinique and Le Cable Guadeloupe (collectively, the "Combined Entities") for the applicable period. The financial information and results of operations of the Existing Senior Notes Issuer, the Senior Secured Notes Issuer, Altice VII, any other holding company not consolidated in the financial statements of the aforementioned companies, certain portfolio companies owned by Altice VII that will be sold or otherwise transferred out of the Group prior to consummation of the Transactions, and ONI are not included in the Combined Entities Pro Forma Financial Statements. The Combined Entities Pro Forma Financial Statements have not been audited or reviewed and represent the arithmetical sum of the corresponding items for each of Cabovisao, Coditel Holding, Group Outremer Telecom, Cool Holding or HOT, as applicable, Green, Le Cable Martinique and Le Cable Guadeloupe as adjusted for certain intercompany eliminations for the applicable period. The Combined Entities Pro Forma Financial Statements neither represent financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such. The Combined Entities Pro Forma Financial Statements are presented for illustrative purposes only and do not purport to present the operations of the Combined Entities or the Group as they actually would have been had the Transactions occurred with effect from any relevant date or to project any operating results for any future period. The Combined Entities Pro Forma Financial Statements include no additional pro forma adjustments (except for intercompany eliminations) to present the aggregated income statement as if the Transactions had been completed on any relevant date. These Combined Entities Pro Forma Financial Statements should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them. See "*Unaudited Pro Forma Financial Data of the Combined Entities*". The following tables present certain summary information derived from the Combined Entities Pro Forma Financial Statements as of and for the periods ended on the dates indicated below.

The summary Combined Entities Pro Forma Financial Statements should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them as well as the historical and other financial statements included elsewhere in the Offering Memorandum. Please also refer to "*Presentation of Financial and Other Information—Pro Forma Financial Information*".

	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,[4]
	2012	2012	2013	2013
		€ in millions (unaudited)		
Combined Entities Pro Forma Income Statement[1]				
Combined Entities Pro Forma Combined Revenues	**1,299.6**	**319.7**	**328.6**	**1,308.5**
Other operating expenses	653.7	155.5	161.3	659.5
General and administrative expenses	69.6	17.8	15.7	67.5
Other sales and marketing expenses	112.2	29.4	23.4	106.3
Group Pro Forma Combined Adjusted EBITDA[2]	**463.9**	**117.0**	**128.1**	**474.9**
Depreciation and amortization	319.5	(52.2)	75.5	447.3
Other expenses, net	(1.9)	2.4	9.7	5.4
Management fees[3]	9.2	1.3	1.8	9.8
Reorganization and extraordinary costs	8.6	0.2	(0.1)	8.2
Operating (loss)/profit	**128.7**	**165.3**	**41.3**	**4.6**
Financing income	(5.0)	(2.2)	(2.3)	(5.1)
Financing expenses	120.7	28.2	28.4	120.9
Profit before taxes on revenue	**(13.0**	**139.3**	**15.1**	**(111.2)**
Taxes on revenue	17.1	7.4	5.7	15.5
Net income	**(4.1)**	**132.0**	**9.4**	**(126.7)**
Other comprehensive (loss)/income	(3.3)	(1.4)	0.4	(1.5)
Total comprehensive (loss)/income	**(7.4)**	**130.6**	**9.8**	**(128.2)**

[1] Refer to "*Unaudited Pro Forma Financial Data of the Combined Entities*" and "*Presentation of Financial and Other Information—Pro Forma Financial Information*" for details regarding the basis of preparation.

[2] We define Pro Forma Combined Adjusted EBITDA as net income before net financing expense, taxes on revenue, depreciation and amortization, and before reorganization and extraordinary costs, management fees and other net expenses (income). Pro Forma Combined Adjusted EBITDA is an additional measure used by management to demonstrate its underlying performance and should not replace the measures in accordance with IFRS as an indicator of its performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Please note that the definition of Pro Forma Combined Adjusted EBITDA as presented here differs from the definition of Consolidated EBITDA in the New Indenture and the other financing arrangements. See "*Description of Notes*". Pro Forma Combined Adjusted EBITDA is calculated by aggregating the Adjusted EBITDA of HOT, Cabovisao, Coditel Holding, Group Outremer Telecom, Le Cable Martinique, Le Cable Guadeloupe, and Green and does not include the Adjusted EBITDA of ONI.

[3] See "*Certain Relationships and Related Party Transactions*".

[4] Calculated by adding the relevant income statement data for the twelve months ended December 31, 2012 to the relevant income statement data for the three months ended March 31, 2013 and subtracting the relevant income statement data for the three months ended March 31, 2012.

	As of December 31,	As of March 31,	
	2012	2012	2013
	€ in millions (unaudited)		
Combined Entities Pro Forma Statement of Financial Position			
ASSETS			
Cash and Cash equivalents[1]	53.9	46.9	49.0
Restricted cash	23.6	64.1	12.9
Trade receivables	177.3	132.3	167.8
Other receivables	27.0	33.4	33.9
Inventories	10.5	8.6	12.6
Total current assets	**292.3**	**285.3**	**276.2**
Other Long-term trade receivables	19.4	21.5	18.6
Investment in financial assets available for sale	6.6	8.5	6.9
Loan to related party	37.4	—	39.5
Long-term trade receivables	28.9	27.1	32.8
Fixed assets	1,197.9	1,150.5	1,221.4
Intangible assets	411.1	437.3	420.5
Goodwill	930.4	1,048.0	959.2
Deferred taxes	18.3	15.9	13.0
Total non-current assets	**2,650.0**	**2,708.7**	**2,711.9**
TOTAL ASSETS	**2,942.3**	**2,994.0**	**2,988.0**
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures	58.1	157.4	57.3
Trade payables	351.6	277.2	326.7
Other payables	177.7	151.4	195.4
Short-term loans from related parties	22.5	237.9	11.7
Provision for legal claims	25.8	45.4	23.9
Total current liabilities	**635.7**	**869.3**	**614.9**
Loans from banking corporations and debentures	581.9	952.1	579.3
Long-term loans from related parties[2]	980.0	181.0	1,034.8
Other long-term liabilities	82.6	120.5	82.5
Advances received from the terminal equipment Installation	10.6	8.9	11.4
Employee benefit liabilities	11.7	10.1	11.6
Deferred Taxes	131.3	136.3	134.8
Total non-current liabilities	**1,798.1**	**1,409.0**	**1,854.3**
Share capital	38.7	38.7	38.6
Share premium	495.9	622.3	495.9
Capital reserve on transaction with a controlling shareholder	341.6	(1.8)	360.7
Capital reserve on the re measurement of defined benefit plans	—	—	(1.7)
Capital reserve from available for sale financial asset	1.2	—	1.3
Capital reserve on transaction with non controlling shareholder	52.2	—	55.1
Accumulated profit(loss)	(430.4)	(274.9)	(440.9)
Non controlling interest	9.3	331.5	9.9
Total equity	**508.6**	**715.8**	**518.8**
TOTAL EQUITY AND LIABILITIES	**2,942.3**	**2,994.0**	**2,988.0**

[1] Does not include cash and cash equivalents of the Senior Notes Issuer or the Senior Notes Issuer. As of March 31, 2013, the Senior Notes Issuer had €59.3 million of cash and cash equivalents (on a consolidated basis).

[2] These amounts do not reflect the total amount of indebtedness of the Senior Notes Issuer and the Existing Senior Secured Notes Issuer. For details, see "—Capitalization".

Key Operating Data

	As of and for the three months ended March 31, 2013							
	Cable-based Services							Cellular
			RGUs[3]			Churn[4]		
	Homes Passed[1]	Cable Customer Relationships[2]	Pay TV	Broadband	Telephony	Pay TV	Cable based services ARPU[5]	Subscribers[6]
		(in thousands)				(%)	(in €)	(in thousands)
Israel	2,252	1,188	898	774	684	13.6	47.8	758
Western Europe								
Belgium & Luxembourg	233	118	133	55	53	21.2	41.5	2
Portugal	906	249	238	157	237	25.0	36.1	—
French Overseas Territories								
Outremer	—	—	—	57	82	—	**	379
Le Cable	154	39	39	13	13	17.6	48.7	—
Total	3,545	1,594	1,308	1,056	1,069			1,139

	As of and for the year ended December 31, 2012							
	Cable-based Services							Cellular
			RGUs[3]			Churn[4]		
	Homes Passed[1]	Cable Customer Relationships[2]	Pay TV	Broadband	Telephony	Pay TV	Cable based services ARPU[5]	Subscribers[6]
		(in thousands)				(%)	(in €)	(in thousands)
Israel	2,243	1,198	896	771	676	15.3	47.2	766
Western Europe								
Belgium & Luxembourg	233	120	136	55	53	16.1	39.5	1
Portugal	906	255	245	159	243	21.2	34.9	—
French Overseas Territories								
Outremer	—	—	—	57	83	—	**	385
Le Cable	154	39	39	12	12	19.7	48.3	—
Total	3,536	1,612	1,316	1,054	1,067			1,152

	As of and for the year ended December 31, 2011							
	Cable-based Services							Cellular
			RGUs[3]			Churn[4]		
	Homes Passed[1]	Cable Customer Relationships[2]	Pay TV	Broadband	Telephony	Pay TV	Cable based services ARPU[5]	Subscribers[6]
		(in thousands)				(%)	(in €)	(in thousands)
Israel	2,204	1,245	891	768	635	13.2	45.3	444
Western Europe								
Belgium & Luxembourg	213	117	135	54	52	14.2	36.7	—
Portugal	906	264	256	162	251	21.2	36.9	—
French Overseas Territories								
Outremer	—	—	—	58	89	—	**	355
Le Cable	154	41	41	9	9	18.1	43.1	—
Total	3,477	1,667	1,323	1,057	1,036			799

** Not reported.

[1] For Israel, reflects total number of homes in Israel.

[2] Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband Internet access or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our cellular or ISP services.

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

[4] Churn is calculated by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription) by the average number of RGUs for such service. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the

respective period, divided by two. For the three months ended March 31, 2013 and 2012, the churn shown is the annualized churn, calculated by multiplying the churn for the three months ended March 31, 2013 and 2012, as applicable, by four.

(5) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue for the service provided, in each case including the proportional allocation of the bundling discount, and after certain discounts, for the respective period by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two. HOT's ARPU is calculated using an exchange rate as of March 31, 2013 of €0.2145 = NIS1.00.

(6) Cellular subscribers is equal to the net number of lines or SIM cards that have been activated. Cellular subscribers in Israel as of March 31, 2013 included 482 thousand UMTS RGUs and 276 thousand iDEN RGUs, as of December 31, 2012 included 441 thousand UMTS RGUs and 325 iDEN RGUs and as of December 31, 2011 comprised 444 thousand iDEN RGUs.

Adjusted EBITDA	Q4-12	Q1-13	L2QA[1]	LQA[2]
		(€ in millions) (unaudited)		
Israel	70.7	81.4	304.2	325.6
Belgium & Luxembourg	11.5	11.7	46.4	46.8
Portugal	11.5	12.0	47.0	48.0
Switzerland	2.7	2.9	11.2	11.6
Western Europe	**25.7**	**26.6**	**104.6**	**106.4**
Outremer	16.2	16.9	66.2	67.6
Le Cable	2.7	3.2	11.8	12.8
French Overseas Territories	**19.0**	**20.1**	**78.2**	**80.4**
Total Excluding Pro Forma Synergies	**115.3**	**128.1**	**486.8**	**512.4**
Pro Forma Synergies[3]			**12.5**	**12.5**
Estimated ONI Annualized EBITDA[4]			16.0	16.0
Total Including Pro Forma Synergies and Estimated ONI Annualized EBITDA			**515.3**	**540.9**

[1] L2QA is calculated by multiplying Adjusted EBITDA for the six months ended March 31, 2013 by two.

[2] LQA is calculated by multiplying Adjusted EBITDA for the three months ended March 31, 2013 by four.

[3] Giving effect to certain synergies expected to result from the Transactions as a result of Altice VII being a leading international cable operator, which will include, inter alia, cost reductions i.e. in network operations, customer service, backbone network as well as general support functions.

[4] Represents estimated EBITDA of ONI presented on an annualized basis. The ONI annualized EBITDA has been derived from 2012 management accounts of ONI, which are prepared in accordance with Portuguese GAAP. Portuguese GAAP may not be directly comparable to IFRS.

Certain As Adjusted Information	As of and for the three months ended March 31, 2013
	(€ in millions)
As adjusted total pro forma gross debt[1]	2,378
As adjusted senior pro forma gross debt[2]	1,797
L2QA Group Pro Forma Adjusted EBITDA (including synergies and estimated ONI annualized EBITDA)[3]	515
LQA Group Pro Forma Adjusted EBITDA (including synergies and estimated ONI annualized EBITDA)[4]	541
As adjusted interest expense[5]	169
Ratio of L2QA EBITDA to As adjusted interest expense[6]	3.0x

Leverage multiples are not provided given these would not be reflective of expected leverage at time of drawing of the New Term Loan and/or the release of the proceeds of the offering of New Senior Notes from escrow on the Escrow Release Date. Debt incurrence is limited by the terms of the New Term Loan, the New Indenture, the Existing Indentures, the Revolving Credit Facilities and the New Guarantee Facility, including maximum 3.0x senior secured leverage ratio and 4.0x total leverage ratio incurrence tests. See Note 6.

[1] As adjusted total pro forma gross debt reflects the aggregate principal amount of the Group's total debt on an as adjusted basis after giving effect to the Transactions (assuming that the New Term Loan is fully drawn). See "*Capitalization*".

[2] As adjusted senior pro forma gross debt reflects the aggregate principal amount of the Group's debt that is outstanding under the Existing Senior Secured Notes, the Existing Coditel Mezzanine Facility Agreement, the

Existing HOT Unsecured Notes, the New Term Loan (assuming it is fully drawn) and finance leases, as adjusted after giving effect to the Transactions.

(3) L2QA Pro Forma Adjusted EBITDA (including Synergies and Estimated ONI EBITDA) is calculated by multiplying the Pro Forma Adjusted EBITDA (including Synergies and Estimated ONI EBITDA) for the two most recent reported quarters ended March 31, 2013 by two.

(4) LQA Pro Forma Adjusted EBITDA (including Synergies and Estimated ONI EBITDA) represents the Pro Forma Adjusted EBITDA (including Synergies and Estimated ONI EBITDA) for the three months ended March 31, 2013 multiplied by four.

(5) As adjusted interest expense represents the gross interest expense, which is calculated using the cash interest expense in connection with the debt incurred in connection with the Transactions, assuming the New Term Loan is fully drawn, (excluding any hedging expenses) and the Existing HOT Unsecured Notes, the Existing Coditel Mezzanine Facility and the Existing Notes using an assumed blended average cash interest rate and assuming the Transactions occurred on April 1, 2012. As adjusted interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would actually have been had the Transactions occurred on April 1, 2012 nor does it purport to project our interest rate for any future period or financial condition at any future. Interest expense excludes (a) other financing costs relating to (i) foreign exchange transactions, collection costs and embedded derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

(6) The Transactions may occur at different times. The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, so long as the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be €500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time. In addition, the gross proceeds from the sale of the New Senior Notes will be deposited in a segregated escrow account in the name of the Trustee on behalf of the holders of the New Senior Notes pending satisfaction of the Escrow Release Condition. The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. See "*The Transactions*" and "*Use of Proceeds*".

Reconciliation of EBITDA to Total Comprehensive Income

	Year ended December 31, 2012							
		Western Europe			French Overseas Territories			
	Israel	Belgium & Luxembourg	Portugal	Switzerland	Outremer	Le Cable	Intercompany Eliminations	Total
				€ in millions (unaudited)				
Adjusted EBITDA	**296.3**	**46.9**	**34.0**	**12.2**	**63.1**	**11.6**	**(0.1)**	**463.9**
Depreciation and amortization	220.8	11.1	44.3	9.8	27.3	6.2	—	319.5
Other (revenues)/expenses, net	(4.6)	1.1	—	—	1.3	0.2	0.1	(1.9)
Management fees	—	1.9	4.5	0.7	—	2.1	—	9.2
Reorganization and extraordinary costs	—	—	7.7	0.6	—	0.2	—	8.6
Finance expenses, net	60.9	46.0	2.1	1.2	4.4	0.9	—	115.7
Taxes on revenue	3.4	2.2	0.3	(0.0)	11.2	—	—	17.1
Net income	**15.8**	**(15.5)**	**(25.0)**	**(0.1)**	**18.8**	**1.9**	**—**	**(4.1)**

Other comprehensive loss/income	(2.2)	—	—	(0.4)	(0.7)	—	—	(3.3)
Total Comprehensive income	**13.6**	**(15.5)**	**(25.0)**	**(0.5)**	**18.1**	**1.9**	**—**	**(7.4)**

	Three months ended March 31, 2012							
					French Overseas Territories			
		Western Europe						
	Israel	Belgium & Luxembourg	Portugal	Switzerland	Outremer	Le Cable	Intercompany Eliminations	Total
				€ in millions (unaudited)				
EBITDA	**80.5**	**11.9**	**4.0**	**2.8**	**15.2**	**2.7**	**(0.0)**	**117.0**
Depreciation and amortization	49.3	2.3	(113.6)	1.8	6.4	1.5	—	(52.2)
Other (revenues)/expenses, net	1.4	0.1	—	—	0.8	0.1	0.0	2.4
Management fees	—	0.5	0.2	0.2	—	0.4	—	1.3
Reorganization and extraordinary costs	—	—	0.3	—	—	(0.1)	—	0.2
Finance expenses, net	13.1	11.2	(0.0)	0.3	1.2	0.3	—	26.0
Taxes on revenue	4.4	0.1	0.1	0.2	2.5	—	—	7.4
Net income	**12.3**	**(2.3)**	**117.0**	**0.3**	**4.2**	**0.4**	**—**	**132.0**
Other comprehensive loss/income	(1.2)	—	—	0.0	(0.2)	—	—	(1.4)
Total Comprehensive income	**11.1**	**(2.3)**	**117.0**	**0.3**	**4.0**	**0.4**	**—**	**130.6**

	Three months ended March 31, 2013							
					French Overseas Territories			
		Western Europe						
	Israel	Belgium & Luxembourg	Portugal	Switzerland	Outremer	Le Cable	Intercompany Eliminations	Total
				€ in millions (unaudited)				
EBITDA	**81.4**	**11.7**	**12.0**	**2.9**	**16.9**	**3.2**	**(0.1)**	**128.1**
Depreciation and amortization	56.3	2.0	8.7	1.6	5.3	1.6	—	75.5
Other (revenues)/expenses, net	7.9	0.3	—	—	1.3	0.1	0.1	9.7
Management fees	—	0.5	0.7	0.2	—	0.5	—	1.8
Reorganization and extraordinary costs	—	—	(0.1)	—	—	(0.0)	—	(0.1)
Finance expenses, net	12.4	11.5	0.7	0.3	1.0	0.2	—	26.1
Taxes on revenue	1.2	0.9	—	0.2	3.4	—	—	5.7
Net income	**3.6**	**(3.4)**	**2.0**	**0.6**	**5.8**	**0.8**	**—**	**9.4**
Other comprehensive loss/income	0.2	—	—	0.0	0.2	—	—	0.4
Total Comprehensive income	**3.8**	**(3.4)**	**2.0**	**0.6**	**6.0**	**0.8**	**—**	**9.8**

Capital Expenditures for Certain Entities

	2011	2012	Q1 2012	Q1 2013
		(€ in millions) (unaudited)		
Israel[1]	132.8	296.9	80.2	38.0
Belgium & Luxembourg	10.6	17.0	2.6	3.4
Portugal	19.4	18.1	4.1	4.8
Outremer	36.0	28.3	4.4	6.4

[1] These amounts are based on the exchange rate as of March 31, 2013 of €0.2145 = NIS1.00.

Historical Statistical and Operating Data of HOT

	As of and for the year ended December 31,			As of and for the three months ended March 31,
	2010	2011	2012	2013
	in thousands except percentages and as otherwise indicated			
HOT Summary Statistical and Operating Data				
Total Israeli Homes	2,166	2,204	2,243	2,252
Customer Relationships				
Cable Customer Relationships[1]	1,282	1,245	1,198	1,188
Cable Revenue Generating Units (RGUs)[2]				
Digital Television RGUs	783	840	878	883
Analog Television RGUs	108	51	18	15
Total Television RGUs	891	891	896	898
Broadband Internet Infrastructure Access RGUs	752	768	771	774
Fixed-Line Telephony RGUs	610	635	676	684
Total Cable RGUs	2,253	2,294	2,343	2,356
RGUs per Cable Customer Relationship (in units)	1.76x	1.84x	1.96x	1.98x
Cellular Revenue Generating Units (RGUs)[3]				
UMTS RGUs	—	—	441	482
iDEN RGUs	490	444	325	276
Total Cellular RGUs[3]	490	444	766	758
Cable Services Penetration				
Television RGUs as % of Total Israeli Homes	41%	40%	40%	40%
Broadband Internet Infrastructure Access RGUs as % of Total Israeli Homes	35%	35%	34%	34%
Fixed-Line Telephony RGUs as % of Total Israeli Homes	28%	29%	30%	30%
Cable Customer Bundling[4]				
Single-Play Customer Relationships as % of Cable Customer Relationships	56%	52%	47%	*
Double-Play Customer Relationships as % of Cable Customer Relationships	20%	20%	19%	*
Triple-Play Customer Relationships as % of Cable Customer Relationships	24%	28%	34%	36%
Churn[5]				
Churn in Pay Television RGUs[6]	15.4%	13.2%	15.3%	13.6%
ARPU[7]				
Cable-based services ARPU (in NIS)	202	211	220	223
Pay television ARPU (in NIS)	208	215	212	209
Broadband Internet infrastructure access ARPU (in NIS)	53	57	62	66
Fixed-line telephony ARPU (in NIS)	71	56	52	49
Market Share				
Cellular Market Share[8]	—	4%	8%	8%

* Not reported on a quarterly basis.

[1] Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable-based services (including pay television, broadband Internet infrastructure access or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our cellular or ISP services.

[2] RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

[3] Cellular RGUs is equal to the net number of lines or SIM cards that have been activated on our cellular network.

[4] Cable customer bundling for our stand-alone, double-play and triple-play services is presented as a percentage of Cable Customer Relationships. Our double play package customers include customers who have purchased a combination of two services out of our pay television, broadband Internet infrastructure access and fixed-line telephony services. Our triple-play package comprises pay television, broadband Internet infrastructure access and fixed-line telephony services.

[5] Churn is calculated by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription by us) by the average number of RGUs for such service, excluding transfers between our services (other than a transfer between our cable services and cellular services), during such period. For example, an analog television customer who migrates to our digital television services or a customer who migrates from our double-play to triple-play services or vice-versa will not increase churn.

(6) For the three months ended March 31, 2013, the churn shown is the annualized churn, calculated by multiplying the churn for the three months ended March 31, 2013 by four.

(7) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the bundling discount, and after certain deductions) for the respective period by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two.

(8) Our cellular market share is based on our estimate of the total cellular lines in Israel, which is based on the number of lines reported by other cellular operators in Israel. This market share calculation is not indicative of nor does it correlate to the market share calculation required under our cellular license. In relation to the addition of frequencies to our cellular license enabling us to provide UMTS based 3G services, we were required to pay a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. The remaining amount equal to NIS 695 million is payable in 2016 subject to certain deductions based on market share gained by HOT Mobile (based on the higher of the market share as measured in September 2013 and September 2016). See "*Description of HOT's Business—Material Contracts—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

Capital Expenditure Breakdown for HOT

	2011	2012	Q1 2012	Q1 2013
		(NIS in millions) (unaudited)		
Modems and Converted Related	178	344	**	**
Cable Network Related (including centers)	289	416	**	**
Other	113	211	**	**
Total Israel Cable-based Expenditures	**580**	**971**	**300**	**122**
Israel Mobile Related Expenditures	39	415	75	55
Adjustments related to intercompany transactions[1]	—	(2)	(1)	—
Total Israel Capital Expenditures	**619**	**1,384**	**374**	**177**

** Not reported on a quarterly basis.

(1) Relates to the elimination of certain intercompany payments by HOT Mobile to Hot Telecom.

Certain HOT Cable-Based Services Information (unaudited)

	Fiscal Year 2011[3]				FY 2011	Fiscal Year 2012[3]				FY 2012	Fiscal Year 2013[3]
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
						(unaudited)					
Total cable RGUs ('000s)	2,263	2,274	2,283	2,294	2,294	2,320	2,340	2,333	2,343	2,343	2,356
Cable-based services ARPU (NIS)	207	210	215	212	211	217	219	220	223	220	223
Cable revenue (NIS in millions)	822	824	836	826	3,308	839	841	840	839	3,361	841
Year on year growth[2]	2.6%	1.9%	2.5%	(0.2)%		2.1%	2.1%	0.5%	1.6%	—	0.2%
Cable-based services EBITDA (NIS in millions)[3]	354	359	343	332	1,388	363	363	369	372	1,467	425
Cable-based services EBITDA margin	43.1%	43.6%	41.0%	40.2%	42.0%	43.3%	43.2%	43.9%	44.3%	43.7%	50.5%

(1) The cable based information contained in this table includes only the results of operations for HOT's cable based business and does not include any results of operations from its cellular business.

(2) Year on year growth shows the percentage growth comparing each quarter to the quarter from the previous year (i.e. Q1 2013 against Q1 2012). It does not compare one quarter to the previous quarter in the same fiscal year.

(3) Gives effect to IAS19 (as amended), which was required to be implemented from January 1, 2013. See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this quarterly report. The restatement would have had a positive impact of NIS 1 million, NIS 1 million, NIS 3 million and NIS 2 million respectively on cable-based services EBITDA for the three months ended March 31, 2012, June 30, 2012, September 30, 2012 and December 31, 2012 and a positive impact of NIS 2 million, NIS 1 million, NIS 2 million and NIS 7 million respectively on cable-based services EBITDA for the three months ended March 31, 2011, June 30, 2011, September 30, 2011 and December 31, 2011.

Certain HOT Cellular Information (unaudited)

	For the year ended December 31,		For the three months ended March 31,	
	2011 (pro forma)[1]	2012 (actual)	2012[2] (actual)	2013[2] (actual)
	(NIS in millions)			
Cellular Revenues..	899	855	189	232
Cellular EBITDA..	218	12	39	(26)

[1] Gives effect to the the acquisition of HOT Mobile, which HOT completed on November 28, 2011 as if such acquisition had occurred on January 1, 2011. See "*Unaudited Pro Forma Financial and Operating Data of HOT*".

[2] HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

RISK FACTORS

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

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

Risks Relating to Our Financial Profile

Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the New Senior Notes.

We have significant debt and debt service requirements and may incur additional debt in the future. As of March 31, 2013, as adjusted to give effect to the Transactions, including the issuance of the New Senior Notes and borrowing under the New Term Loan and the application of the proceeds thereof, the Combined Entities, the Senior Notes Issuer and the Existing Senior Secured Notes Issuer had total third-party debt (excluding other long-term and short-term liabilities, other than finance leases) of €2,378 million on a combined basis. Of this as adjusted indebtedness, € 1,797 million represents Senior Secured Debt and €403 million represents outstanding indebtedness (other than the Pledged Proceeds Notes and the Existing Coditel Senior Facility) of HOT and Coditel and their respective subsidiaries, including the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility. In addition, the Existing Senior Secured Notes Issuer will also have the ability to borrow up to €80 million under the Existing Revolving Credit Facility Agreement and up to € 50 million under the New Revolving Credit Facility Agreement. See "*Description of Other Indebtedness—Revolving Credit Facility Agreements*".

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

- making it more difficult for us to satisfy our obligations under the New Senior Notes;
- requiring that a substantial portion of our cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to us to finance our operations, capital expenditures, research and development and other business activities, including maintaining the quality of and upgrading our network;
- impeding our ability to obtain additional debt or equity financing, including financing for capital expenditures, and increasing the cost of any such borrowing, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt;
- impeding our ability to compete with other providers of pay television, broadband Internet services, fixed-line telephony services and cellular services in the regions in which we operate;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and
- adversely affecting public perception of us and our brand.

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

The terms of the New Indenture, the Existing Indentures, the New Term Loan, the New Guarantee Facility, the Revolving Credit Facility Agreements, the Existing Coditel Mezzanine Facility Agreement and the trust deeds governing the Existing HOT Unsecured Notes restrict, but do not prohibit, us from incurring additional debt. We may refinance our debt, and we may increase our consolidated debt for various business reasons which might include, among other things, to finance acquisitions or to fund the prepayment premiums, if any, on debt we refinance, to fund distributions to our shareholders or for general corporate purposes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

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

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

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

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

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

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

The terms of the New Indenture, the Existing Indentures, the Revolving Credit Facility Agreements, the New Term Loan, the Existing Coditel Mezzanine Facility Agreement, the New Guarantee Facility and the trust deeds governing the Existing HOT Unsecured Notes contain a number of significant covenants or other provisions that could adversely affect our ability to operate our business. These covenants restrict our ability, and the ability of our subsidiaries, to, among other things:

- pay dividends or make other distributions;

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

All of these limitations will be subject to significant exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control. In addition, we will also be subject to the affirmative covenants contained in the Revolving Credit Facility Agreements and the New Guarantee Facility. The Revolving Credit Facility Agreements, the New Guarantee Facility and the Existing HOT Unsecured Notes also require us to maintain specified financial ratios. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios.

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

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

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

Of the €2,378 million of total borrowings we would have had outstanding as of March 31, 2013, as adjusted to give effect to the Transactions, including the offering of the New Senior Notes and borrowing under the New Term Loan and the application of the proceeds thereof, €2,098 million of our borrowings, including the Existing Senior Secured Notes, the Existing Senior Notes, the New Term Loan, the Revolving Credit Facilities, the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility, will mature prior to the maturity dates of the New Senior Notes.

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

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

A portion of our debt, including the New Term Loan and the Series A of the Existing HOT Unsecured Notes, bears interest at variable rates. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. In addition, under the terms of our existing interest rate hedging arrangements, our effective interest rates may be higher than actual interest rates, resulting in increased costs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of HOT—Quantitative and Qualitative Disclosures About Market Risk*". Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

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

Our business is exposed to fluctuations in currency exchange rates. HOT's functional currency is the New Israel Shekel. The functional currency of the Group, Cabovisao, Coditel, Outremer and Le Cable is the euro. The functional currency of Green is Swiss Francs. We conduct, and will continue to conduct, transactions in currencies other than such currencies, particularly the U.S. dollar. We have U.S. dollar obligations with respect to a significant portion of our existing debt and certain contracts we are party to for the supply of content and equipment. The exchange rate between the U.S. dollar and the New Israeli Shekel, euro and Swiss Franc has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. We have historically covered a portion of our U.S. dollar cash outflows arising on anticipated and committed obligations through the use of foreign exchange derivative instruments. Further, while we expect to manage the risk of certain currency fluctuations in respect of the New Senior Notes and to hedge our exposure to interest rate changes in respect of indebtedness linked to interest rates, these arrangements may be costly and may not insulate us completely from such exposure. There can be no guarantee that our hedging strategies will adequately protect our operating results from the effects of exchange rate fluctuation or changes in interest rates, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in exchange rates or interest rates.

Risks Relating to Our Business, Technology and Competition

The telecommunications services, including cellular services, industries in which we operate are highly competitive which could have a material adverse effect on our business.

Israel

In Israel we face significant competition from established and new competitors who provide television, broadband Internet infrastructure access, ISP, fixed-line telephony and cellular services. In some instances, we compete against companies which may have easier access to financing, more comprehensive product ranges, greater personnel resources, wider geographical coverage for their cellular network, greater brand name recognition and experience or longer established relationships with regulatory authorities and customers. These companies may in some cases have fewer regulatory burdens with which they are required to comply because, among other reasons, they use different technologies to provide their services or do not own their own a fixed-line network. Further because the telecommunications and cellular markets in Israel are reaching saturation, there are a limited number of new subscribers entering the market and therefore we are required to increase our market share by attracting our competitors' existing subscribers.

This competition can make it difficult for us to attract new customers and retain existing customers, thereby increasing our churn levels. Increased competition, tiered offerings that include lower priced entry level products, and special promotions and discounts for customers who subscribe for multiple-play services from us may contribute to increased average revenue per unique customer relationship, but will likely reduce our ARPU on a per-service basis for each of our services included in a multi-play package.

Our largest competitor is Bezeq, the incumbent telecommunications provider in Israel, which offers its residential and business customers a suite of products and services, including pay television under the "YES" brand through its associate, D.B.S. Satellite Services (1998) Ltd., that is comparable to those offered by us and is currently the only other company in Israel that owns the underlying network infrastructure for broadband Internet infrastructure access and fixed-line telephony. In addition to competing with Bezeq across our product offerings, part of our cable network runs through ducts and poles owned by Bezeq and we also rely on Bezeq for installation and maintenance services related to such parts of our cable network.

We expect competition to continue to increase amid the changing legislation in Israel and consolidation in the telecommunication industry that permits certain service providers to market a combination of television, Internet and fixed-line telephony products and services (a "bundle") for an aggregate price which is lower than the price of the individual products and services in the bundle. For example, Bezeq offers its fixed-line telephony and broadband Internet infrastructure access on a bundled basis, thereby reducing the cost of subscribing to its individual services, and may in the future be able to bundle such fixed-line services with pay television services provided by YES. In addition, we expect additional competitive pressure to result from the convergence of broadcasting and communication technologies, as a result of which other participants in the Israeli media and telecommunications industries may seek to offer a package of fixed-line and mobile voice, Internet and/or video broadcast services in competition with us. These competitive forces may create further downward pressure on prices, which may result in a decrease of our average revenue per customer relationship. These forces could also increase the rate at which we lose subscribers, and increase the cost of providing content for our pay television subscribers. In addition, we may bear higher costs if we introduce new products or services to maintain or improve our competitive positioning and reduce subscriber churn. In combination with difficult economic environments, these competitive pressures could adversely impact our ability to increase, or in certain cases, maintain our ARPUs, RGUs, operating cash flows and liquidity.

Pay Television. The Israeli television market is characterized by a very high penetration rate and an increasing emphasis on new television technology, in particular digital, HD and interactive television services such as VOD, requiring high-bandwidth and bi-directional distribution platforms. In the multi channel television market we have only one competitor, D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq, which provides satellite technology based multi channel television services under the brand "YES". Despite the two player multi channel television market in Israel, various other factors also have a material impact on competition in the market, including the availability of free-to-air DTT channels and the increasing availability of video content that may be offered via the Internet by our competitors who provide broadband Internet services. In addition, we believe that the implementation of certain regulatory changes may have an impact on competition in the market, including the expansion in the number of free-to-air DTT channels, the "narrow" television package and the increased scope of special broadcasting licenses pursuant to which we are required to broadcast television channels owned by special broadcasting license holders on our network under certain terms. See "*Regulatory—Israel—Access to DTT Channels" and "Regulatory—Israel—Narrow Package Proposal*".

Broadband Internet Infrastructure Access. Our high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband access over DSLs, holds the highest market share in broadband Internet infrastructure access in Israel and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq's DSL-based broadband Internet infrastructure access service to very-high-bitrate DSL ("VDSL") and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations, while time consuming and expensive, would have a negative impact on our competitive position in the broadband Internet infrastructure access market. In addition, we face competition from mobile operators as they are increasingly able to utilize a combination of progressively powerful handsets and high bandwidth technologies, such as UMTS and, potentially, long-term-evolution ("LTE") technology. Further, the Israeli Ministry of Communications has issued regulatory instructions in an attempt to create a wholesale market for broadband Internet infrastructure access which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. See "*Regulatory—Israel—Broadband Internet Infrastructure and Fixed-line Telephony—Decision Regarding the Creation of a Wholesale Market*". Competition may also increase following the proposed creation of a public private joint venture between the government owned Israeli Electric Corporation ("IEC") and a private company to be selected in a tender procedure, which, if successful, will use the electric transmission and distribution network in Israel owned by IEC to provide wholesale products to telecommunication services providers, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers. We expect competition, including price competition, from Bezeq, new startups and other companies to increase in the future and we cannot assure you that the tiered offerings, bundled packages and other measures that we have introduced in response to these developments will be successful in attracting and retaining customers.

Fixed-Line Telephony. Competition in providing fixed-line telephony service is intense, with providers introducing substantial price reductions over the years. Bezeq, our principal competitor in the Israeli market and the largest provider of fixed-line telephony services, has an extensive fixed-line telephone network throughout Israel, strong market knowledge, high brand recognition and substantial capital resources. As of March 31, 2013, we held a market share in the Israeli fixed-line telephony services market (measured by number of subscribers based on publicly available information) of approximately 21% and the market share of Bezeq was approximately 69%. We believe that competition in this market will increase due to the low barriers to entry primarily as a result of regulations pursuant to which new service providers who receive a license can provide telephony services using voice over internet protocol ("VoIP") or voice over broadband ("VOB") technology over the infrastructure network owned by either us or Bezeq (the end user will still need to purchase access to the infrastructure network directly from us or from Bezeq). As a result of the wholesale market implementation, the VOB service provider may be entitled to procure the access to the network infrastructure by itself. The Israeli Ministry of Communications requires the various telephony service providers to provide interconnection access in return for payment of an "interconnection fee" set by the Israeli Ministry. Competition may also increase following the commencement of operations by the proposed IEC joint venture, if successful, and as the result of the policy to develop a wholesale market in telecommunications services. Although our market share in this segment is increasing, we may not have the resources of, or benefit from the economies of scale available to, Bezeq and other competitors.

Cellular services, including those offering advanced higher speed, higher bandwidth technologies and mobile virtual network operators ("MVNOs"), contribute to the competitive pressures that we face as a fixed-line telephony operator. In the past, Israeli cellular operators have engaged in "cut the line" campaigns and used attractive mobile calling tariffs to encourage customers with both fixed-line and cellular services to retain only their cellular services. This substitution, in addition to the increasing use of alternative communications technologies, may negatively affect our fixed-line call usage volumes and subscriber growth. As new competitors and new technologies enter the market and prices decrease in line with the downward pressure on telephony prices experienced elsewhere in Israel, our telephony business may become less profitable and experience a decline in revenues and market share. In addition, we may be forced to respond to such developments by investing resources into our own product development initiatives, which may be costly and ultimately unsuccessful.

Cellular Services. The cellular market in Israel is characterized by saturation and a very high penetration level in excess of 100%, thus the competition will be focused primarily on customers moving from one cellular operator to another. Our cellular service competes with three principal cellular network operators in Israel, who between them are currently estimated to directly represent over 85% of the total market for cellular services in Israel as of March 31, 2013, and with an additional new cellular network operator (as well as several Virtual Network Operators, MVNOs). As such, the brand names of the three principal cellular network operators in Israel are better recognized as cellular service providers than our brand, they have better established sales, marketing and distribution capabilities, and are more experienced in the provision of cellular services. While we acquired HOT Mobile in November 2011, which had an existing iDEN-based mobile network and service offering, we only began offering our 3G based cellular services under the HOT brand in May 2012 and expect that we will continue to face the challenge that the brand names of our competitors are better recognized as cellular service providers and that these competing providers are part of larger, more established companies than us. We may also face increased competition in the future from Golan Telecom, which launched its services at the same time as HOT Mobile, and MVNOs that provide cellular services under their own brand using the network infrastructure of another service provider. In addition, the Israeli Ministry of Communications has granted a special license to a few of the new operators to conduct a marketing experiment that will examine the provision of domestic telephony services using VoC (VoIP over Cellular) technology. VoC services may provide an alternative to traditional cellular services or virtual mobile networks, offering an easier and more cost efficient service. In addition, a licensed VoC service improves user experience, since it has a standard phone number and can be ported in and out with number portability. If the VoC marketing experiment is successful and the Israeli Ministry of Communications grants licenses to offer VoC service, demand for our cellular services may be reduced, which would negatively impact revenues and profits from that segment. In the future, the Israeli Ministry of Communications may auction additional spectrum for LTE services at prices or on terms which we might not consider attractive, thus negatively affecting our ability to compete with cellular operators who obtain spectrum for LTE and can provide such services to Israeli subscribers.

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

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

Other Jurisdictions

Our businesses in the other jurisdictions in which we operate are also subject to significant competition. For example, Coditel Holding's primary competitors for cable services are the incumbent telecom operators Belgacom in Belgium and P&T Luxembourg in Luxembourg, Cabovisao's primary competitors are Portugal Telecom, the incumbent fixed and mobile telecommunications operator, and ZON Multimedia, the largest cable operator in Portugal, and

Outremer's primary competitors in the French Overseas Territories include (i) Orange as the incumbent player in the French Overseas Territories with an overall market share above 50% (ii) MediaServ as the DSL pure-player with an estimated 85,000 subscribers in all French Overseas Territories (except Mayotte), and (iii) other competitors in La Réunion including DSL providers (SRR and IZI) and a cable operator (ZeOP). These competitors may generally have greater access to financing, higher marketing power, more comprehensive product ranges, greater personnel resources, wider geographical coverage, greater brand name recognition and experience or longer established relationships with regulatory authorities and customers. In addition to these competitors, our businesses may also face competition from other established and new providers of television, broadband Internet, data and telephony services using DSL, public switched telephony network ("PSTN") or fiber connections; providers of television services using technologies such as IPTV; providers of television by satellite; providers of digital terrestrial television ("DTT"); cellular network operators; and providers of emerging digital entertainment technologies. In certain cases, our competitors may have fewer regulatory burdens which they are required to comply with because, among other reasons, they use different technologies to provide their services, do not own their own direct access network, or are not subject to obligations applicable to operators with significant market power.

Competition can make it difficult to attract new customers and retain existing customers, thereby increasing churn levels, and may lead to increased price pressure. We cannot assure you that we will be able to compete successfully against our current or future competitors in any of our businesses. Our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The pay television, broadband Internet infrastructure access, fixed-line telephony and cellular businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. In Israel, we recently completed an upgrade to our cable network that made our entire network U.S. Docsis 3.0-enabled, which enables us to expand the transfer volume on the network to improve the provision of services that require substantial bandwidth like VOD and increase the number of channels that we can offer our subscribers. We are also in the process of selectively rolling out "FTTx" improvements to our last mile fixed-line network. In addition, we are investing in the expansion of our UMTS cellular network to provide 3G cellular services, which we launched on May 15, 2012 and which offers subscribers faster network capabilities and better roaming coverage as compared to our iDEN platform and the ability to use 3G phones. Our other businesses have also made significant network investments in recent years. No assurance can be given that our recent or future capital expenditures will generate a positive return or that we will have adequate capital available to finance such future upgrades or acquire additional licenses. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks, or making our other planned or unplanned capital expenditures, our growth and our competitive position could be materially adversely affected.

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

While we attempt to increase our subscription rates to offset increases in operating costs, there is no assurance that we will be able to do so. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and results of operations. We are also affected by inflationary increases in salaries, wages, benefits and other administrative costs.

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

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

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

Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to cellular telecommunications transmission equipment and devices, including the location of antennas.

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

In May 2011, the International Agency for Research on Cancer ("IARC"), which is part of the World Health Organization ("WHO"), published a press release according to which it classified radiofrequency electromagnetic fields as possibly carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use. We have complied and are committed to continue to comply with the rules of the authorized governmental institutions with respect to the precautionary rules regarding the use of cellular telephones. For example, we refer our customers in Israel to the precautionary rules that have been recommended by the Israeli Ministry of Health, as may be amended from time to time.

In June 2011, WHO published a fact sheet (no. 193) in which it was noted that "A large number of studies have been performed over the last two decades to assess whether mobile phones pose a potential health risk. To date, no adverse health effects have been established as being caused by mobile phone use". It was also noted by WHO that "While an increased risk of brain tumors is not established, the increasing use of mobile phones and the lack of data for mobile phone use over time periods longer than 15 years warrant further research of mobile phone use and brain cancer risk in particular, with the recent popularity of mobile phone use among younger people, and therefore a potentially longer lifetime of exposure". WHO notified that in response to public and governmental concern it will conduct a formal risk assessment of all studied health outcomes from radiofrequency fields exposure by 2012.

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

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

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

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

In Israel, we rely on agreements to provide roaming capability to our subscribers in many areas inside and outside Israel, including with Pelephone for roaming services to our 3G cellular customers within Israel while we build-out our UMTS network and with Vodafone for roaming services outside Israel. In addition, in the French Overseas Territories we rely on third-party operators to provide international roaming services for our cellular subscribers. In Belgium, we do not own a cellular network and we rely on a mobile virtual network operator agreement with Mobistar to provide cellular services. However, we cannot control the quality of the service that any such operators provide and it may be inferior to the quality of service that we provide. Equally, our subscribers may not be able to use some of the advanced features that they enjoy when making calls on our cellular network. Some of our competitors may be able to obtain lower roaming or MVNO rates than we do because they may have larger call volumes. If our competitors' providers can deliver a higher quality or a more cost effective service, then subscribers may migrate to those competitors and our results of operation could be adversely affected. Further, we may not be able to compel providers to participate in our technology migration and enhancement strategies. As a result, our ability to implement technological innovations could be adversely affected if these overseas providers are unable or unwilling to cooperate with the further development of our cellular network or if they cease to provide services comparable to those we offer on our network. In Israel, our agreement with Pelephone is scheduled to expire in December 2014 with an option for us to extend for an additional three years and our agreement with Vodafone automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. In Belgium, our agreement with Mobistar is valid for an initial term of three years. If we are unable to renew or replace services provided by Pelephone through the build-out of our own UMTS network in Israel or the services provided by Vodafone with respect to roaming services outside Israel or similar agreements with other cellular operators with respect to our businesses in other jurisdictions (including Mobistar in Belgium) on favorable terms, our business and results of operations may be negatively affected.

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

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

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

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

Certain parts of our operations are dependent on access to sites belonging to and network infrastructure owned by third parties. In this respect, we have obtained leases, rights and licences from network operators, including incumbent operators, governmental authorities and individuals. Our ability to offer our services to customers depends on the performance of these third parties of their obligations under such leases, licenses and rights. If these third parties refuse to or only partially fulfil their obligations under or terminate these licenses or prevent the required access to certain of all of such sites, it could prevent or delay the connection to sites or customers, limit the growth of our offerings and influence our ability to supply high quality service to our customers in a timely and cost effective manner. In addition, the costs of providing services is dependent on the pricing and technical terms under which we are given such access and any change is such terms may have a material adverse effect on our business. In many cases, we may not be able to find suitable alternatives at comparable cost or within a reasonable timeframe.

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

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

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

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

Furthermore, as we purchase a significant portion of our content from various content providers under relatively short-term contracts, the prices we pay to purchase such content are subject to change and may increase significantly in the future.

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

We have important relationships with several suppliers of hardware, software and related services that we use to operate our pay television, broadband Internet, fixed-line telephony and cellular businesses. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. For example, in Israel while we continue to promote a rapid take up of our premium television services, such as our HOT Magic HD service which combines VOD functionality, HD technology and recording capabilities using a single set-top box, we face potential risks in securing the required customer set-top box equipment to maintain this roll out and we currently rely on a single provider of set-top boxes to provide us equipment that is compatible with the conditional access software and related security features that have been deployed on our cable network. Currently, we have a sufficient supply of these boxes available, but a future shortage may involve significant delays in seeking an alternative supply, may constrain our ability to meet customer demand and may result in increased customer churn. Further, in the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, we cannot assure you that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts.

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

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

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

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

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

If any part of our cable or cellular networks, including our information technology systems, is subject to a flood, fire or other natural disaster, terrorism, acts of war, a computer virus, a power loss, other catastrophe or unauthorized access, our operations and customer relations could be materially adversely affected. For example, although our cable networks are generally built in resilient rings to ensure the continuity of network availability in the event of any damage to its underground fibers, if any ring is cut twice in different locations, transmission signals will not be able to pass through, which could cause significant damage to our business. In the event of a power outage or other shortage, we do not have a back-up or alternative supply source for all of our network components.

Additionally, our businesses are also dependent on certain sophisticated critical systems, including our switches, billing and customer service systems, which could be damaged by any of the aforementioned risks. For example, if we experience problems in the operation of our billing systems, it may be difficult to resolve the issue in a timely and cost effective manner. In addition, the hardware that supports our switches, billing and customer service systems is housed in a relatively small number of locations and if damage were to occur to any of such locations, or if those systems develop other problems, it could have a material adverse effect on our business. Moreover, we may incur liabilities and reputational damages to the extent that any accident or security breach results in a loss of or damage to customers' data or applications, or inappropriate disclosure of confidential information.

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

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

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

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

Our ability to attract and retain subscribers to our cable based and cellular services or to increase profitability from existing subscribers will depend in large part on our ability to stimulate and increase subscriber usage, convince subscribers to switch from competitors' services to our services and our ability to minimize customer "churn". Customer churn is a measure of the number of customers who stop subscribing for one or more of our products or services. Churn arises mainly as a result of regulations, competitive influences, introduction of new products and technology, deterioration of personal financial circumstances and price increases. In Israel, the regulatory framework prohibits, among other things, cable based service providers and cellular operators from charging exit fees, except in limited circumstances, to subscribers who wish to terminate their services and cellular operators from selling locked handsets or linking the terms of sale of handsets to the terms of cellular services, including discounts and other benefits, which has increased churn rates for many cable based service providers and cellular operators. If we fail to effectively communicate the benefits of our networks through our marketing advertising efforts, we may not be able to attract new customers and our efforts to attract and retain customers may prove unsuccessful. In addition, any interruption of our services or the removal or unavailability of programming, which may not be under our control, could contribute to increased customer churn. Further our competitors may improve their ability to attract new customers, for example by offering new product bundles or product offerings at lower prices than us, which would make it difficult for us to retain our current subscribers, and the cost of retaining and acquiring new subscribers could increase. Increased customer churn may have a material adverse effect on our business, financial condition and results of operation.

We may pursue acquisitions that, if consummated, may adversely affect our business if we cannot integrate these new operations.

Historically, our business has grown, in part, through selective acquisitions, that enabled us to take advantage of existing networks, service offerings and management expertise. We expect to continue growing our business through acquisitions of businesses that we believe will present opportunities to realize synergies and strengthen our market position, among other perceived benefits. Any acquisition we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expense and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs and not realize all the benefits of these acquisitions, if any. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions or fail to integrate any previous acquisitions, there could be a material adverse effect on our business, financial condition or results of operations. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. We cannot assure you that we will be successful in completing business acquisitions or integrating previously acquired companies.

Furthermore, acquisitions of additional telecommunications companies may require the approval of governmental authorities (either at country or, in the case of the EU, European level), which can block, impose conditions on, or delay the process, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant governmental authority may impose fines and, if in connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations.

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

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

Our brands are subject to reputational risks.

HOT is a well-recognized brand in Israel. Numericable, Cabovisao, Le Cable and Only, the brands used by Coditel Holding, Cabovisao, Le Cable and Outremer, respectively, are well-recognized brands in Belgium and Luxembourg, Portugal and the French Overseas Territories, as applicable. We have developed the brands we use through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks.

Our brands represent a material and valuable asset to us. Although we try to manage our brands, we cannot guarantee that our brands will not be damaged, notably by circumstances that are outside our control or by third parties (e.g., hackers, sponsorees, or interfaces with its clients, such as subcontractors' employees or sales forces) with a resulting negative impact on our activities.

In addition, we market our products and services in Belgium and Luxembourg under the Numericable brand pursuant to an agreement between our subsidiary, Coditel Holding and Numericable France which is valid until June 2017. This agreement contain usual termination clauses for breach of contract or insolvency, but also a termination right for Numericable France in case of a change of control of Coditel Holding. There is no assurance that the agreement will be renewed at the end of its term, or that it could not be terminated earlier by Numericable France. In such a case we would probably not be able to find similar advantageous arrangements with other parties. If Coditel Holding were to lose the benefits that this agreement provides, it may have a material adverse effect on our business and results of operations.

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

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

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

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

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

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

Even though we require our conditional access system providers to provide state-of-the-art security for the conditional access systems, the security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our set top boxes require smart cards before subscribers can receive programming and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our television signals. While we work diligently to reduce the effect of piracy, we cannot assure you that we will be able to successfully eliminate the piracy we currently face. In addition, we cannot assure you that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased basic cable subscriber churn or otherwise have a material adverse effect on our business, financial condition and results of operations.

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

We accumulate, store and use data in the ordinary course of our operations that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the applicable Israeli privacy requirements, we may fail to do so and certain subscriber data may be leaked to or otherwise used inappropriately. We work with independent and third party sales agents, service providers and call center agents, and although our contracts with these third parties restrict the use of subscriber data, we can provide no assurances that they will abide by the contractual terms. Violation of data protection laws may result in fines, loss of reputation and subscriber churn and could have an adverse effect on our business, financial condition and results of operations.

We are exposed to, and currently engaged in, a variety of legal proceedings, including several existing and potential class action lawsuits in Israel related primarily to our network infrastructure and consumer claims.

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

In Israel, plaintiffs in these proceedings are often seeking certification as class actions. These claims are generally for significant amounts and may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. If any of these claims or claims that may arise in the future succeed, we may be forced to pay damages or undertake other actions which could affect our business and results of operations. See "*Description of HOT's Business—Legal Proceedings*".

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

In Belgium and in Luxembourg, we built our network pursuant to agreements which we entered into during the 1960s and the 1970s with municipalities which authorized us to build and operate a television cable network in their territory. Since then, the regulatory framework applicable when those contracts were entered into has changed. In particular, the right of certain of the municipalities to receive royalty payments in consideration for the grant of the authorization, to reclaim ownership of the network and to regulate the prices at which we offer our services are incompatible with the liberalization of the telecommunications market mandated by European law. These uncertainties are compounded by the fact that the national laws adopted to implement European directives did not necessarily deal with these issues, that these agreements were sometimes renewed after the new regulatory regime was entered into force but were not amended to reflect such changes, and by the lack of authoritative case law on the subject creating uncertainties as to the status of these networks and the rights of the different interested parties. Furthermore, there is no uniformity between these agreements. These uncertainties have led to litigation, including with the Roeser and Junglinster municipalities in Luxembourg which are currently pending on appeal. See "*Business, Industry and Market Overview of Coditel and Management's Discussion and Analysis of Financial Condition and Results of Operation of Coditel—Legal Proceedings*". If we were to lose what we believe is the ownership of our network and our right to operate it in such litigation or in any new litigation, or because of any new law or regulation that would be favorable to the municipalities' claims, this would have a material adverse effect on our business, results of operations and financial condition.

Our historical and pro forma financial information may not reflect what our actual results of operations and financial condition would have been had we been a combined company for the periods presented and thus these results may not be indicative of our future operating performance.

The historical financial statements included elsewhere in this Offering Memorandum consist of the separate financial statements of the Senior Notes Issuer, Cool Holding, HOT, Cabovisao, Coditel Holding, Coditel Belgium, Coditel Luxembourg, Outremer, Le Cable Martinique, Le Cable Guadeloupe and Green for periods prior to the Transactions. No historic financial information that consolidates the results of operations of these operating entities is available. Accordingly, we have presented the Combined Entities Pro Forma Financial Statements, which is unaudited and represents the arithmetical sum, after taking account of the intercompany eliminations, of the corresponding items from the income statements and statements of financial position, as the case may be, for each of HOT, Cool Holding, Cabovisao, Coditel Holding, Outremer, Le Cable Martinique, Le Cable Guadeloupe and Green for the applicable periods. The Combined Entities Pro Forma Financial Statements neither represent financial information prepared in accordance with IFRS nor pro forma financial information. The Combined Entities Pro Forma Financial Statements do not purport to present the operations of the Group or the Combined Entities as they actually would have been had the Transactions (including this offering or the incurrence of the New Term Loan and the application of proceeds therefrom) occurred with effect from any relevant date or to project the operating results or financial condition of the Combined Entities for any future period. The Combined Entities Pro Forma Financial Statements include no additional pro forma adjustments (except for intercompany eliminations) to present the combined income statement as if the Transactions had been completed on any relevant date, as applicable.

In addition, no historical financial information that consolidates the results of operations of HOT and HOT Mobile are available for the period prior to the acquisition of HOT Mobile in November 2011. Accordingly, we have presented certain pro forma financial information of HOT for 2011 which assumes that its acquisition of HOT Mobile was completed on January 1, 2011. Further, no historic financial information that consolidates the results of operations of Coditel Belgium and Coditel Luxembourg are available prior to the Coditel Acquisition in July 2011. Accordingly, we have presented certain aggregated financial information of Coditel Holding for 2011 which is an aggregation of information from Coditel Belgium and Coditel Luxembourg (for the period from January 1 to July 31, 2011) and Coditel Holding (for the period from August 1 to December 31, 2011). This aggregated financial information includes no additional pro forma adjustments except for intercompany eliminations to present the aggregated financial information of Coditel Holding as if the Coditel Acquisition had been completed on January 1, 2011 and thus reflects, among other things, several effects in connection with the Coditel Acquisition only for the period from August 1 to December 31, 2011. Moreover, until August 31, 2012, the financial year of Cabovisao for reporting purposes was from September 1 to

August 31 which was changed to run from September 1 to August 31 with effect from September 1, 2012. We have presented certain pro forma financial information of Cabovisao for certain annual and quarterly periods (including for the purposes of the pro forma financial information of the Combined Entities) that do not conform to its historical financial year for reporting purposes. For further details, see "*Presentation of Financial and Other Information*".

Accordingly, we have included (A) the unaudited pro forma condensed aggregated financial statements of the Combined Entities for the three months ended March 31, 2013 (the "Q1 2013 Combined Entities Pro Forma Financial Statements"), (B) the unaudited pro forma condensed aggregated financial statements of the Combined Entities for the year ended December 31, 2012 (the "2012 Combined Entities Pro Forma Financial Statements") and (C) the unaudited pro forma condensed aggregated financial statements of the Combined Entities for the three months ended March 31, 2012 (the "Q1 2012 Combined Entities Pro Forma Financial Statements"). The Q1 2013 Combined Entities Pro Forma Financial Statements, the 2012 Combined Entities Pro Forma Financial Statements and the Q1 2012 Combined Entities Pro Forma Financial Statements are collectively referred to herein as the "Combined Entities Pro Forma Financial Statements". The Combined Entities Pro Forma Financial Statements are derived from an aggregation of the income statements and statements of financial position, as the case may be, of Cool Holding, HOT, Cabovisao, Coditel Holding, Outremer, Le Cable Martinique, Le Cable Guadeloupe and Green for the applicable periods. The Combined Entities Pro Forma Financial Statements are unaudited and represents the arithmetical sum, after taking effect of intercompany eliminations, of the corresponding items from the income statements and statements of financial position, as the case may be, for each of Cool Holding, HOT, Cabovisao, Coditel Holding, Outremer, Cool Holding Le Cable Martinique, Le Cable Guadeloupe and Green for the applicable periods. The Combined Entities Pro Forma Financial Statements neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such. The Combined Entities Pro Forma Financial Statements are presented for illustrative purposes only and do not purport to present the operations of the Group or the Combined Entities as they actually would have been had the Transactions (including this offering or the incurrence of the New Term Loan and the application of proceeds therefrom) occurred with effect from January 1, 2012 or to project the operating results or financial condition of the Group or the Combined Entities for any future period. The Combined Entities Pro Forma Financial Statements includes no additional pro forma adjustments (except for intercompany eliminations) to present the aggregated income statement as if the Transactions had been completed on January 1, 2012. See "*Unaudited Pro Forma Financial Data of the Combined Entities*".

In addition, Cabovisao, Coditel Holding, Coditel Belgium, Coditel Luxembourg, Green, Le Cable Martinique and Le Cable Guadeloupe have historically prepared their respective financial statements in accordance with the applicable local accounting standards which differ in certain respect from IFRS. Accordingly, the pro forma financial information of the Combined Entities has been prepared based on certain pro forma financial information of Cabovisao, Coditel Holding, Green, Le Cable Martinique and Le Cable Guadeloupe with adjustments for pro forma IFRS journal entries. These reconciliations are not, and are not intended to be, financial statements prepared in accordance with IFRS. Financial statements prepared in accordance with such local accounting standards and the reconciliations set out in Annex A may differ in certain significant respects from IFRS. For further details with respect to differences between IFRS and the accounting standards used by Cabovisao and Coditel Holding to prepare their historical financial statements, see "*Business, Industry and Market Overview of Cabovisao and Management's Discussion and Analysis of Financial Condition and Results of Operations of Cabovisao—Summary of Significant Differences between Portuguese Accounting Standards and IFRS*" and note B to the Pro Forma Consolidated IFRS Information and note 2 to the Combined Pro Forma Financial Information (IFRS)."

The pro forma financial information presented in this Offering Memorandum is based in part on certain assumptions regarding the Transactions that we believe are reasonable. Our assumptions may prove to be inaccurate over time. Accordingly, the historical and pro forma financial information included in this Offering Memorandum may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future.

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

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

We conduct our business in multiple jurisdictions, including in Israel, Belgium, the French Overseas Territories, Luxembourg, Portugal and Switzerland. Accordingly, our business is subject to risks resulting from differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments in a variety of jurisdictions, including in emerging markets. These risks include, among other things:

- differing economic cycles and adverse economic conditions;

- political instability;

- unexpected changes in the regulatory environment;

- varying tax regimes;

- fluctuations in currency exchange rates;

- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;

- varying degrees of concentration among suppliers and customers;

- insufficient protection against violations of our intellectual property rights;

- foreign exchange controls and restrictions on repatriation of funds; and

- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force.

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

Risks Relating to Legislative and Regulatory Matters

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

Our activities as a cable television, broadband Internet infrastructure access provider, ISP, fixed-line and international long distance telephony and cellular operator are subject to regulation and supervision by various regulatory bodies, including local and national authorities in Israel and the other jurisdictions in which we operate. These regulations may increase our administrative and operational expenses and limit our revenues. Our cable television, broadband Internet infrastructure access, ISP, fixed-line and international long distance telephony and cellular businesses may also become subject to increasing risks and regulations. For details of regulations governing our operations in Israel see "*Regulatory*".

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

- price regulation for certain services that we provide, specifically analog television;

- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;

- regulations requiring us to maintain structural separation between our cable television, broadband Internet infrastructure access and fixed-line telephony, ISP and cellular subsidiaries;

- regulations governing the prohibition of exit-fees or cancellation charges;

- regulations requiring us to grant third party ISPs access to our cable network;

- regulations restricting the number of channels we can own and specifying the minimum investment we are required to make in local content productions;

- regulations governing roaming charges and other billing and customer service matters;

- requirements that, under specified circumstances, a cable system carry certain television stations or obtain consent to carry certain television stations according to telecommunication laws;

- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;

- requirements that we extend our cable television, broadband Internet infrastructure access and fixed-line telephony services to areas of Israel even where it is not economically profitable to do so;

- rules and regulations relating to subscriber privacy;

- laws requiring levels of responsiveness to customer service calls;

- anti-trust law and regulations and specific terms within the anti-trust authority's approval for the Cable Consolidation (as defined below);

- requirements that we provide or contribute to the provision of certain universal services; and

- other requirements covering a variety of operational areas such as land use, health and safety and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards and subscriber service requirements.

The Israeli Ministry of Communications has recently taken active steps to increase competition in the fixed-line and cellular telecommunications industries, including providing licenses to MVNOs and eliminating termination fees that operators can charge, except in limited circumstances, and, as of January 2013 prohibiting the linkage of the price and terms of handsets to the services or benefits of the cellular contract. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect or results of operations. For further information see "*Regulatory—Israel—Copyright/Trademark Law—Structural Separation*".

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

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

- rules regarding declarations and registrations with telecommunication regulatory authorities;

- price regulation with respect to call termination charges;

- rules regarding the interconnection of our network with those of other network operators;

- requirements that a network operator carry certain channels (the must carry obligation);

- rules relating to the quality of the landline networks;

- specific rules relating to the access to new-generation optical fiber networks;

- rules relating to the content of electronic communications, antitrust regulations; and

- specific tax regimes.

Please see "*Regulatory*". Such regulation and supervision, as well as future changes in laws or regulations or in their interpretation or enforcement that affect us, our competitors or our industry, strongly influence how we operate our business. Complying with existing and future law and regulations may increase our operational and administrative expenses, restrict our ability or make it more difficult to implement price increases, affect our ability to introduce new services, force us to change our marketing and other business practices, and/or otherwise limit our revenues.

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

Further, the payment activity of Outremer is subject to the control of the French Autorité de Contrôle Prudentiel ("ACP"). See "*Regulatory*". The completion of the Outremer Transaction requires the prior approval of the ACP. The sellers of OMT Invest and Altice Caribbean have agreed that the request for approval will be filed post-signing (but pre-closing) of the acquisition of OMT Invest, and that such approval will not be a condition precedent to closing. In addition, the relevant Outremer subsidiary will, in connection with this activity, remain subject to the control of the ACP covering matters such as, for instance, its level of equity capital, its management standards or the protection of the funds it receives.

Our other subsidiaries are subject to the unique regulatory regimes of the jurisdiction in which they operate including licensing or registration eligibility rules and regulations, which may vary by jurisdiction. The regulations applicable to our operations within the EU often derive from EU Directives. The various Directives require EU Member States to harmonize their laws on communications and cover such issues as access, user rights, privacy and competition. These Directives are reviewed by the EU from time to time and any changes to them could lead to substantial changes in the way in which our businesses in the relevant jurisdictions are regulated and to which we would have to adapt. In addition, from time to time, we are subject to review by competition and national regulatory authorities concerning whether we exhibit significant market power. Regulatory authorities may also require us to grant third parties access to our bandwidth, frequency capacity, facilities or services to distribute their own services or resell our services to end customers. A failure to comply with applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse conditions.

Significant changes to the existing regulatory regime applicable to the provisions for cable television, telecommunications and internet services have been and are still being introduced on a local level. Changes in applicable law, regulations or government policy (or in the interpretation of existing laws or regulations) could greatly influence our viability and how we operate our business and introduce new products and services. Our business could be materially and adversely affected by any changes in relevant laws or regulations (or in their interpretation) regarding, for example, licensing requirements, access and price regulation, interconnection arrangements or the imposition of universal service obligations, or any change in policy allowing more favorable conditions for other operators. We cannot assure you that the provision of our services will not be subject to greater regulation in the future.

In Belgium and Luxembourg, telecommunication activities are subject to significant regulation and supervision by various regulatory bodies. For an overview of such regulation, please see "Regulatory—Belgium" and "Regulatory—Luxembourg". Compliance with these laws and regulations may increase operational and administrative expenses, restrict the possibility to implement price increases, impact on marketing and other business practices, and/or otherwise limit revenues. In addition, specific requirements can also be imposed in Belgium and Luxembourg on entities that are deemed, by the Belgium Institute for Postal Services (the "BIPT") or the Luxembourg Regulatory Institute (the "LRI") and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including grant of access, non-discrimination and transparency obligations.

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

The regulations applicable to our operations in Portugal derive from the implementation EU Directives, which are reviewed by the EU from time to time and any changes to them could lead to substantial changes in the way in which our businesses in Portugal. According to EU rules, regulatory authorities also require us to comply with particular obligations depending on the specific markets concerned.

We are subject to, among other things:

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

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

Compliance with these laws and regulations may increase operational and administrative expenses, restrict the possibility to implement price increases, impact on marketing and other business practices, and/or otherwise limit revenues.

A failure to comply with applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse conditions. For further information see "*Regulatory—Portugal*".

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

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

In Israel, we conduct our operations pursuant to licenses granted to us by the Israeli Ministry of Communications for specified periods, which may be extended for additional periods upon our request to the Israeli Ministry of Communications and confirmation that we have met certain performance requirements. Our broadcast license is valid until 2017, our domestic operator license for fixed-line telephony and broadband Internet infrastructure access is valid until 2023, our UMTS-based cellular license is valid until 2031 and our general international telecommunications service provider license is valid until 2032. There is no certainty, however, that the licenses will be renewed or extended in the future and any cancellation or change in the terms of our licenses may materially affect our business and results of operations. See "*Description of HOT's Business—Network*" and "*Description of HOT's Business—Licenses*".

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

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

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

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

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

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

In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but we cannot assure you that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and not subsidised by such municipal government, and may require us to incur significant costs in the future.

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

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

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

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

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

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

In September 2010, adopting the position of the Israeli Attorney General, the Israeli Supreme Court issued an interim order prohibiting further construction of radio access devices for cellular networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until September 30, 2013, provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer; and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot. If this exemption is not extended, we will have to seek permits, which could result in substantial delays and costs and as a result, i.e., may be unable to meet our license requirements.

If a definitive court judgment holds that the exemption does not apply to cellular devices at all, we may be required to remove the existing devices and would not be able to install new devices on the basis of the exemption. As a result, our cellular network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

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

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

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

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

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

As of the date of this Offering Memorandum, we had approximately 280 indemnification letters outstanding to local planning and building committees although no claims have been filed against us from the force of the letters of indemnity. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

On May 31, 2013, HOT received a tax assessment on HOT Vision, one of its subsidiaries, for the 2009-2010 tax year. The Tax Authority identified NIS 38 million of taxable income for this period. HOT intends to appeal against such tax assessment. The outcome of this tax assessment could also impact tax years not covered by this tax assessment.

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

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

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

Our key executives and employees possess substantial knowledge of our business and operations. We cannot assure you that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key executives and employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

In our business, we rely on sales forces and call center employees to interface with the major part of our residential customers. Their reliability is key, as is our relationship with employee representatives. None of our employees currently belong to organized unions and works councils, although we cannot assure you that our employees will not form unions in the future. In Israel, we are currently party to legal proceedings relating to the recognition of a workers' union as a negotiating unit. If the workers' union is successful in its claim, any subsequent strikes, work stoppages and other industrial actions could disrupt our operations, cause reputational or financial harm or make it more difficult to operate our businesses.

The interests of Next L.P., our parent company, may conflict with our interests or your interests as holders of the New Senior Notes.

Next L.P. owns 100% of the voting interests in Altice VII. When business opportunities, or risks and risk allocation arise, the interests of Next L.P. (or its affiliates) may be different from, or in conflict with, our interests on a stand alone basis. Because we are controlled by Next L.P., Next L.P. may allocate certain or all of its risks to us and we cannot assure you that Next L.P. will permit us to pursue certain business opportunities.

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

Risks Relating to the New Senior Notes and the Structure

The Senior Notes Issuer is a holding company and conducts no business of its own.

The Senior Notes Issuer is a holding company and conducts no business of its own. Upon completion of the Transactions, the Senior Notes Issuer's only material assets will be the Senior Notes Proceeds Loans, the shares it holds in the Existing Senior Secured Notes Issuer and cash in its bank accounts. The Issuer will be wholly dependent upon payments from the Existing Senior Secured Notes Issuer under the New Senior Notes Proceeds Loan and other payments from the Group to service its debt obligations under the New Senior Notes to the extent it does not have cash to meet those obligations. The Existing Senior Secured Notes Issuer does not conduct any operations and it's only material assets will be the Senior Secured Issuer Pledged Proceeds Notes and cash in its bank accounts. As a result, the Existing Senior Secured Notes Issuer will be wholly dependent upon payments under the AH Proceeds Loan and other payments from members of the Group in order to service its debt obligations under the New Senior Notes Proceeds Loan, to the extent it does not have cash to meet those obligations. Furthermore, the New Indenture and the Existing Indentures prohibit the Senior Notes Issuer and the Existing Senior Secured Notes Issuer from engaging in any activities other than certain limited activities. See "*Description of Notes—Certain Covenants—Limitations on Issuer and Senior Secured Notes Issuer Activities" and "Description of Other Indebtedness—Existing Senior Secured Notes Indenture.*" As such, the Senior Notes Issuer will be dependent upon payments under the Covenant Party Pledged Proceeds Loans, the AH Proceeds Loan, the New Senior Notes Proceeds Loan and other payments from members of the Group in order to service its obligations under the New Senior Notes.

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

Each of Altice VII, Cool Holding, SPV1, Altice West Europe, Altice Caribbean and ABO is a holding company and conducts no business operations of its own and none of them has significant assets other than the shares it holds in its subsidiaries.

The ability of the direct or indirect subsidiaries of these Senior Notes Guarantors to pay dividends or to make other payments or advances to them will depend on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject and, in some cases, receipt of such payments or advances may be subject to onerous tax consequences. See "*—The granting of the Senior Notes Guarantees by Cool Holding and SPV1 and security interests under the Senior Notes Collateral by Cool Holding may be considered a "distribution" under Israeli law*".

Each of Cool Holding and SPV1 has no significant assets other than the shares it holds in HOT. HOT reported net income of NIS 17 million during the three months ended March 31, 2013, and a net income of NIS 78 million, NIS 341 million and NIS 106 million for the years ended December 31, 2012, 2011 and 2010, respectively. In light of its historical financial performance, we cannot assure you that it will report net profit in future years, which in light of legal requirements in Israel relating to the distribution of dividends, may impact its ability to make distributions to Cool Holding and/or SPV1 and in turn impact the ability of the Senior Notes Issuer to make payments of principal and interest on the New Senior Notes. Under Israeli laws, a company may only make distributions up to the amount of the greater of (i) its retained earnings and (ii) its cumulative net income over the preceding eight quarters (and provided that it meets the solvency test (as defined under Israeli law), which will be reduced by the amount of distributions already made to the extent not already reflected in, the calculation of distributable profits. As of March 31, 2013, HOT had limited distributable profits.

There can be no assurance that arrangements with Cool Holding's, SPV1's, Altice West Europe's, Altice Caribbean's or ABO's direct and indirect subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of Cool Holding's, SPV1's, Altice West Europe's, Altice Caribbean's and ABO's direct and indirect subsidiaries will provide Cool Holding, SPV1, Altice West Europe, Altice Caribbean and ABO, as applicable, with sufficient dividends, distributions or loans to fund payments under their respective Senior Notes Guarantees or under their respective Covenant Party Pledged Proceeds Loans, as applicable, and, in turn, fund payments by the Senior Notes Issuer under the New Senior Notes, when due.

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

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

Your right to receive payments under the New Senior Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of the Senior Notes Guarantors' subsidiaries that do not guarantee the New Senior Notes.

The New Senior Notes will be structurally subordinated to all obligations, including with respect to claims of trade creditors, of any of our subsidiaries that does not guarantee the New Senior Notes.

In the event of an insolvency, liquidation or other reorganization of any of our subsidiaries that are not Senior Notes Guarantors, holders of their debt and their trade creditors will typically be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Senior Notes Guarantors as equity holders.

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

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

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

Your ability to recover under the Senior Notes Collateral securing the New Senior Notes may be limited.

Following the Escrow Release Date, the holders of the New Senior Notes will benefit from security interests in the Senior Notes Collateral.

The Senior Notes Collateral will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be set forth in the documents evidencing the security interests granted over the Senior Notes Collateral. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Senior Notes Collateral as well as the ability of the Security Agent to realize or foreclose on such Senior Notes Collateral.

Furthermore, the enforcement and realization of any security interest under the Collateral which is governed by Israeli law will be subject to the supervision of the Israeli courts or the Israeli Office of Execution of Judgments and their practices. Enforcement and realization of security interests in Israel is subject to certain mandatory principles. The general rule under Israeli law is that any enforcement or realization of a fixed pledge or charge or a floating charge is required to be made in accordance with and subject to a court order, with certain exceptions for collateral deposited with the creditor, collateral with respect to which the law specifies another manner of realization and collateral which consists of rights. See "*—Rights of holders of New Senior Notes to enforce, secure and realize their rights under the Senior Notes Collateral may be adversely affected in Israeli insolvency proceedings*".

Furthermore, enforcement or realization of rights with respect to the pledges of the shares of Cool Holding is subject to the prior approval of and supervision by the Israeli Ministry of Communications, which may be time consuming and cumbersome.

The value of the Senior Notes Collateral may not be sufficient to satisfy our obligations under the New Senior Notes and such Senior Notes Collateral may be reduced or diluted under certain circumstances, which may be time consuming and cumbersome.

In the event of foreclosure on the Senior Notes Collateral, the proceeds from the sale of the Senior Notes Collateral that secures the New Senior Notes may not be sufficient to satisfy our obligations under the New Senior Notes. The value of the Senior Notes Collateral and the amounts to be received upon a sale of such collateral will depend upon many factors, including, among others, the ability to sell the Existing Senior Secured Notes Issuer's, Cool Holding's or Altice Holdings' shares in an ordinary sale and the availability of buyers. In addition, the Senior Notes Collateral may be illiquid and may have no readily ascertainable market value.

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

The Intercreditor Agreement will provide for detailed enforcement mechanisms with respect to the Senior Notes Collateral. Please see "*Description of Other Indebtedness—Intercreditor Agreement*".

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

The security interests in the Senior Notes Collateral that will secure our obligations under the New Senior Notes and the obligations of the Senior Notes Guarantors under the Senior Notes Guarantees will not be granted directly to the holders of the New Senior Notes but will be granted only in favor of the Security Agent. The New Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the New Senior Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Senior Notes Collateral, except through the Trustee, who will (subject to the provisions of the New Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Senior Notes Collateral.

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

The security documents governing the granting of the Senior Notes Collateral will be governed by the laws of a number of jurisdictions. Bankruptcy laws could prevent the Security Agent on behalf of the holders of the New Senior Notes from repossessing and disposing of the Senior Notes Collateral upon the occurrence of an event of default if a bankruptcy proceeding is commenced by or against the relevant grantor of such Senior Notes Collateral before the Security Agent repossesses and disposes of the Senior Notes Collateral.

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

The New Senior Notes and the Senior Note Guarantees will be secured by the Senior Notes Collateral, which will be substantially less than the Senior Secured Collateral. The Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility, the New Term Loan, certain hedging obligations, the Existing Senior Secured Notes and the guarantees of the forgoing will also be secured by senior pledges over all of the Senior Notes Collateral (other than the share pledge over the shares of the Senior Notes Issuer).

The value of the Senior Secured Collateral and Senior Notes Collateral will not be available to pay the obligations under the New Senior Notes until the obligations under the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility, the New Term Loan, certain hedging obligations, the Existing Senior Secured Notes and the guarantees of the foregoing have been satisfied.

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

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

Under various circumstances, the Senior Notes Collateral and the Senior Notes Guarantees will be released automatically, including: a sale, transfer or other disposal of such Senior Notes Collateral in a transaction not prohibited by the New Indenture;

See "*Description of Notes—The Guarantees*" and "*Description of Notes—The Security*".

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

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

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

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

The granting of the Senior Notes Guarantee by Cool Holding and SPV1 and security interests under the Senior Notes Collateral by Cool Holding may be considered a "distribution" under Israeli law.

The granting of the Senior Notes Guarantee and security interests under the Senior Notes Collateral to secure obligations under the New Senior Notes, to the extent that no valuable consideration has been paid against the granting of the Senior Notes Guarantees or the security interests in the Senior Notes Collateral, as applicable, may be considered as a "distribution" under Israeli law, and accordingly will be subject to Cool Holding and/or SPV1 being able to meet all of its obligations when they become due (the "Solvency Test") and certain distributable reserves criteria, as set by Israeli law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests—Israel—Limitation on Distributions and Fiduciary Duties*". Cool Holding and/or SPV1 may apply to a competent Israeli court to approve a distribution notwithstanding its non-compliance with the distributable reserves criteria if it complies with the Solvency

Test. However, approval of distributions by an order of a court is subject to objections that may be raised by other creditors whose interests may be jeopardized by the distribution.

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

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

Upon the occurrence of certain events constituting a change of control, the Senior Notes Issuer is required to offer to repurchase all outstanding New Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that the Senior Notes Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding New Senior Notes or that the restrictions in our credit facilities or other then existing contractual obligations of us or the Issuers would allow the Issuers to make such required repurchases. The repurchase of the New Senior Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The Senior Notes Issuer's ability to pay cash to the holders of the New Senior Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Senior Notes Issuer is prohibited from repurchasing New Senior Notes the Existing Senior Secured Notes Issuer is prohibited from satisfying its obligations under the New Senior Notes Proceeds Loan we may seek the consent of the lenders under such indebtedness to the purchase of New Senior Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or repay such borrowings, the Senior Notes Issuer will remain prohibited from repurchasing any tendered New Senior Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the New Senior Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Senior Notes Issuer to offer to purchase New Senior Notes would constitute a default under the New Indenture, which could, in turn, constitute a default under other agreements governing our debt. See "*Description of Notes—Certain Covenants—Change of Control*".

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

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

Acquisitions and other strategic transactions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction.

From time to time we have made acquisitions, dispositions and have entered into other strategic transactions. In connection with such transactions, we may incur unanticipated expenses, fail to realize anticipated benefits, have difficulty integrating the acquired businesses, disrupt relationships with current and new employees, customers and suppliers, incur significant indebtedness, or experience delays or fail to proceed with announced transactions. These factors could have a material adverse effect on our business and/or our reputation.

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

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

- the liquidity of any market that may develop for the New Senior Notes;

- your ability to sell your New Senior Notes; or

- the prices at which you would be able to sell your New Senior Notes.

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

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

Credit ratings may not reflect all risks.

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

Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions.

The insolvency laws of Luxembourg may not be as favorable to holders of New Senior Notes as insolvency laws of jurisdictions with which investors may be familiar. The Senior Notes Issuer is incorporated and has its center of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Senior Notes Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The following is a brief description of certain aspects of insolvency laws in Luxembourg. Under Luxembourg insolvency laws, the following types of proceedings (together referred to as insolvency proceedings) may be opened against the Issuers to the extent that the Issuers have their registered office or center of main interest in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer, by any of its creditors or by the Luxembourg public prosecutor. Following such a request, the courts having jurisdiction may open bankruptcy proceedings, if an Issuer (a) is in default of payment (*cessation de paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court considers that these conditions are met, it may open bankruptcy proceedings, absent a request made by the Senior Notes Issuer or a creditor. The main effect of such proceedings is the suspension of all measures of enforcement against the Senior Notes Issuer except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Senior Notes Issuer and not by its creditors; and

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

In addition to these proceedings, the ability of the holders of New Senior Notes to receive payment on the New Senior Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put the Senior Notes Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

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

- certain amounts owed to the Luxembourg Revenue;

- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise;

- social security contributions; and

- remuneration owed to employees.

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

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

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

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

- pursuant to article 445 of the Luxembourg code of commerce, some specific transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 446 of the Luxembourg code of commerce payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments;

- pursuant to article 21 (2) of the Collateral Act 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg code of commerce, where a financial collateral arrangement has been entered into on the date of the commencement of a reorganization measure or winding-up proceedings, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, that agreement is enforceable and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it ignored the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and

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

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

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

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

- *Fraudulent conveyance principles and other similar laws affecting creditors' rights and remedies generally and by application by a competent court of equitable principles*. Under Israeli law, any transfer of asset or creation of a security interest by a debtor may be declared not enforceable in liquidation, reorganization or composition proceedings of the debtor if, generally, the following conditions are met: (a) the debtor is deemed insolvent (as defined in and construed under Israeli law principles) at the time of the conveyance; (b) the conveyance is effected in the three months prior to the commencement of the liquidation or reorganization proceedings; and (c) the conveyance is made by the debtor with the intention of fraudulently preferring a certain creditor or as a result of illegal coercion or persuasion by the creditor. A specific fraudulent conveyance rule applies to security interests created under a floating charge. Under Israeli law, a floating charge created during the six months prior to the start of the liquidation, reorganization or composition proceedings, may be construed as invalid as to the indebtedness secured thereunder and not advanced by the creditor holding the floating charge at the creation of the pledge or immediately thereafter (together with interest at the rate set by law), unless sufficient proof exists to support the fact that the debtor was solvent immediately following the creation of the floating charge.

- *The issuance of a liquidation order by a court of competent authority in respect of a company results in a stay of proceedings*. Upon the issuance of the liquidation order, creditors of a company are prohibited from taking any action against the company or its assets to secure or realize their rights, and any such proceedings not completed are stayed. However, the liquidation order does not prevent creditors holding a secured interest from enforcing and realizing their collateral or to otherwise use it in a different manner (although the enforcement process may be procedurally limited in a certain manner). Notwithstanding the foregoing, a court of competent authority may order a moratorium on proceedings against a company for a period of up to nine months (and may extend that period for additional three month periods (without limitation as to the aggregate time frame), for special reasons) if the court is convinced that the moratorium may contribute to the formation of a compromise or arrangement between the company, its shareholders and its creditors. Secured creditors are restricted from enforcing their collateral during the moratorium period, unless the court is convinced that either (i) no adequate protection exists to safeguard the secured creditors' rights or (ii) enforcement of the secured creditor's rights will not jeopardize the ability of the company to duly form and approve the arrangement or compromise so contemplated.

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

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

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

- without approval of creditors, a company will be permitted to use an asset which subject to a charge, including selling the asset free of liens (in the ordinary course of business with either the agreement of the creditor or court approval, and not in the ordinary course of business if approved by the court) if necessary for the reorganization of the company. The secured creditor must have "adequate protection", either from the proceeds of the sale or an asset acquired to replace the asset subject to the disposition. If the asset which is subject to a security interest is sold, the proceeds of sale or any replacement asset which can be identified or traced will be subject to a corresponding security interest in favor of the secured creditor.

- without approval of creditors, the company will be able to raise new financing for the continued operations of the company subject to a stay order issued by a court. This new financing is treated as an expense of the reorganization, and is therefore given priority over other liabilities of the company. In such a financing, the company may create a charge in favor of the lenders that would have priority to the existing security interests if the court believes it necessary for the company to raise the funds. The court would need to be satisfied that there is "adequate protection" for the existing secured creditors notwithstanding the creation of the new security interest. See "*Limitation on Validity and Enforceability of Guarantees and Security Interests—Israel*".

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

The Senior Notes Issuer is incorporated under and subject to Luxembourg law.

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

Insolvency proceedings may be brought against the Senior Notes Issuer and such proceedings may proceed under, and be governed by, Luxembourg insolvency laws (see "*—Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions*").

Corporate benefit and financial assistance laws and other limitations on the obligations under the Senior Notes Guarantees may adversely affect the validity and enforceability of the Senior Notes Guarantees.

The Senior Notes Guarantees provide the holders of the New Senior Notes with a right of recourse against the assets of the relevant Senior Notes Guarantors. Each of the Senior Notes Guarantees and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by a particular Senior Notes Guarantor without rendering its Senior Notes Guarantee as it relates to that Senior Notes Guarantor voidable or otherwise ineffective under applicable law. In addition, the granting of Senior Notes Guarantees may be considered a "distribution" under Israeli law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests—Israel—Limitation on Distributions and Fiduciary Duties*". Enforcement of the obligations under the New Senior Notes against the Senior Notes Issuer or the Senior Notes Guarantors will be subject to certain defenses available to the Senior Notes Issuer or the relevant Senior Notes Guarantor. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, the Senior Notes Issuer or a Senior Notes Guarantor, may have no liability or decreased liability under the New Senior Notes or its Senior Notes Guarantee may be unenforceable.

Employee benefit plan considerations.

Each acquirer or transferee of a New Senior Note or any interest therein will be deemed to have represented, warranted and agreed that (1) either (a) it is not, and is not acting on behalf of (and for so long as such acquirer or transferee holds such New Senior Notes or any interest therein will not be, and will not be acting on behalf of), a Benefit Plan Investor (as defined under "Transfer Restrictions") or a governmental, church or non-U.S. plan which is subject to any Similar Laws (as defined under "Transfer Restrictions"), and no part of the assets used by it to acquire or hold the New Senior Notes or any interest herein constitutes the assets of any Benefit Plan Investor or such a governmental, church, or non-U.S. plan, or (b) its acquisition, holding and disposition of such New Senior Notes does not and will not constitute or otherwise result in a non-exempt prohibited transaction under the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (2) neither the Senior Notes Issuer nor any of its affiliates is a "fiduciary" (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws) (a "Fiduciary") with respect to the purchaser or holder in connection with any purchase or holding of the New Senior Notes, or as a result of any exercise by the Senior Notes Issuer or any of its affiliates of any rights in connection with the New Senior Notes, and no advice provided by the Issuers or any of their affiliates has formed a primary basis for any investment decision by or on behalf of the purchaser and holder in connection with the New Senior Notes and the transactions contemplated with respect to the New Senior Notes; and (3) it will not sell or otherwise transfer any New Senior Note or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such New Senior Note.

See "*Certain Employee Benefit Plan Considerations*" for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the New Senior Notes.

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

The New Senior Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The New Senior Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. Therefore you may not transfer or sell the New Senior Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the New Senior Notes for an indefinite period of time. The New Senior Notes and the New Indenture governing the New Senior Notes contain provisions that restrict the New Senior Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the U.S. Securities Act, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any New Senior Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the New Senior Notes that it shall not transfer the New Senior Notes in an aggregate principal amount of less than €100,000. Furthermore, the Senior Notes Issuer has not registered the New Senior Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the New Senior Notes within the United States and other countries comply with applicable securities laws. See "*—Transfer Restrictions*".

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

The Senior Notes Issuer is organized under the laws of Luxembourg and do not have any assets in the United States. It is anticipated that some or all of the directors and executive officers of the Senior Notes Issuer will be non-residents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Senior Notes Issuer or its directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Senior Notes Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Luxembourg. See "*—Enforcement of Judgments*".

The New Senior Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

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

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

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

Risks Relating to the Transactions

The Transactions are subject to significant uncertainties and risks.

The consummation of each of the Coditel Acquisition and the ONI Acquisition is subject to the conditions set out in the Coditel Purchase Agreement and the ONI Purchase Agreement, respectively. The consummation of the ONI Acquisition is subject to regulatory approval and approval of certain third party lenders to the ONI Group. Although the parties to the Outremer Transactions have agreed that the completion of the Outremer Transaction will not be subject to any conditions precedent, the Outremer Transaction requires the approval of the French Autorité de Contrôle Prudentiel ("ACP") in connection with the payment activities of the OMT Group. There can be no assurance that such approvals will be obtained in a timely manner if at all. In addition, the Transactions are also subject to litigation risk that is customary for transactions of this type and may be challenged by our shareholders or creditors, which may result in a delay or prevent us from closing or require us to pay significant amounts to claimants. See "*The Transactions*".

As described under "The Transactions", the Transactions may occur at different times. Upon the Escrow Release Date, the Existing Senior Secured Notes Issuer will use amounts borrowed under the New Senior Notes Proceeds Loan and the New Term Loan to consummate, directly or indirectly, certain of the Transactions. The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in one or more tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving

Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be no less than €500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time. We cannot assure you that we will be able to meet the requirements to draw under the New Term Loan when we expect to or at all.

Anticipated synergies from the Transactions may not materialize.

Upon completion of the anticipated transaction, as described in "*The Transactions*", Coditel, Outremer, ONI, Cabovisao, ABO and Le Cable will becomes part of the Group and become consolidated subsidiaries of Altice VII. We may not realize any or all of the benefits of the Transactions that we currently anticipate. Among the synergies that we currently expect are increased scale, access to global credit markets, more efficient employment of capital, harmonization of accounting policies and computation of key operating measures and harmonization of best practices across our footprint. We may not be successful in integrating some or all of these measures as anticipated which may have a material adverse effect on our business and operations.

The integration of the entities as anticipated under the Transaction could result in operating difficulties and other adverse consequences.

The consummation of the Transactions and the integration of the businesses as anticipated into the Altice VII financing group and corporate structure may create unforeseen operating difficulties and expenditures and pose significant management, administrative and financial challenges to our business. These challenges include:

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

- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the Transactions;

- integration of different company and management cultures; and

- retention, hiring and training of key personnel.

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

If the conditions to the escrow release are not satisfied, the Senior Notes Issuer will be required to redeem the New Senior Notes, which means that you may not obtain the return you expect on the New Senior Notes.

The gross proceeds from the offering will be held in escrow pending the satisfaction of certain conditions, some of which are outside of our control. If any of these conditions is not satisfied, the escrow will not be released. Accordingly, there can be no assurance that the escrow will be released. Upon delivery to the escrow agents of an officer's certificate certifying among other things that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan the escrowed funds will be released to the Senior Notes Issuer and utilized as described in "*Use of Proceeds*".

Prior to the satisfaction of the conditions to release of the escrow proceeds, the gross proceeds of the offering of the New Senior Notes will be held in escrow accounts on behalf of the holders of the New Senior Notes. If the Escrow Release Condition does not occur by July 15, 2013 or in the event of certain other events that trigger escrow termination occur, the New Senior Notes will be subject to a special mandatory redemption and you may not obtain the return you expect to receive on the New Senior Notes. See "*—Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The escrow funds will be limited to the gross proceeds of the offering of the New Senior Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the initial issue price of each of the New Senior Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of the special mandatory redemption.

Your decision to invest in the New Senior Notes is made at the time of purchase. Changes in our business or financial condition, or the terms of the Transactions or the financing thereof, between the closing of this offering and the Escrow Release Date, will have no effect on your rights as a purchaser of the New Senior Notes.

Neither the OMT Group nor the ONI Group is currently owned by us and neither the OMT Group nor the ONI Group will be controlled by us until completion of the Outremer Transaction and the ONI Transaction, respectively.

Neither the OMT Group nor the ONI Group is currently owned by us. We will not acquire the remaining shares of the entities comprising the OMT Group or the ONI Group that we do not currently own until completion of the Outremer Transaction and the ONI Transaction, respectively. We cannot assure you that during the interim period the OMT Group's or the ONI Group's business will be operated in the same way that we would operate them. The information contained in this Offering Memorandum has been derived from public sources and, in the case of historical information relating to the entities comprising the OMT Group, has been provided to us by Outremer, and we have relied on such information supplied to us in its preparation.

On completion of the Outremer Transaction, Altice Caribbean will enter into a shareholders agreement with the OMT Minority Shareholders, which will include certain limitations on Altice Caribbean's rights as a majority shareholder of NewCo OMT, certain restrictions on the transfer of NewCo OMT's shares and include certain liquidity arrangements. See "*The Transactions—Outremer Transaction*". Further, the Transactions have required, and will likely continue to require, substantial amounts of certain of our management's time and focus, which could potentially affect their ability to operate the business.

THE TRANSACTIONS

As used in this Offering Memorandum, the "Transactions" is comprised of the following individual transactions:

New Financing Arrangements

The Existing Senior Secured Notes Issuer will enter into the €795 million New Term Loan, on or prior to the Issue Date, the €50 million New Revolving Credit Facility and the €75 million New Guarantee Facility. In addition, the Senior Notes Issuer is offering € 250 million of New Senior Notes hereby. Amounts drawn under the New Term Loan, the gross proceeds of the New Senior Notes offered hereby and cash on the balance sheet of the Group will be applied to complete the Fold-In, the Cabovisao Refinancing, the Coditel Refinancing, the Coditel Acquisition, the Le Cable Refinancing, the ABO Refinancing, the Outremer Transaction and the ONI Transaction each as described below. For details, see "*Use of Proceeds*".

The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis); provided, that the first draw which must occur by July 15, 2013 must be no less than €500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time. After August 15, 2013 any undrawn amounts of the New Term Loan will accrue interest at LIBOR plus full drawn margin. Pending satisfaction of the Escrow Release Condition, the Initial Purchasers will deposit the gross proceeds from the offering of the New Senior Notes into a segregated escrow account for the benefit of the holders of the New Senior Notes. The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. If the Escrow Release Condition does not occur on or prior to July 15, 2013 or upon the occurrence of certain other events, the New Senior Notes will be subject to a special mandatory redemption at a price equal to 100% of the initial issue price of each New Senior Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date.

Assuming all of the Transactions occur on the Escrow Release Date, upon release of the proceeds from the offering of New Senior Notes from escrow (the "Escrow Release Date"), the Senior Notes Issuer will make an intercompany loan in the amount of the gross proceeds of the offering of the New Senior Notes (the "New Senior Notes Proceeds Loan") to the Existing Senior Secured Notes Issuer, which will in turn use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of one or more draws under the New Term Loan to make an aggregate €933 million proceeds loan to Altice Pool (which may be assumed by Altice Holdings in the event Altice Holdings is the surviving entity following the Fold-In) (the "AH Proceeds Loan") of which €203 million will be consideration for the Cabovisao Refinancing described below and €730 million will be in cash. The Existing Senior Secured Notes Issuer will use the remaining proceeds from the New Senior Notes Proceeds Loan and the New Term Loan to pay certain fees and expenses incurred in connection with the Transactions.

Fold-In

On or prior to the Escrow Release Date, Altice VII will transfer all of the share capital of Altice Holdings and the other entities that will constitute the Group on such date (other than the Senior Notes Issuer and Cool Holding and their respective subsidiaries) to Altice Pool in exchange for a € 135 million vendor note that matures prior to the first anniversary of the Escrow Release Date (the "Deferred Consideration"). Following the Escrow Release Date, Altice Pool will merge with Altice Holdings (with Altice Pool or Altice Holdings as the surviving company). In the event Altice Holdings is the surviving entity, Altice Holdings will assume the rights and obligations of Altice Pool, including the Deferred Consideration and the Alt Proceeds Loan, and Altice VII will provide a first-ranking pledge over all of the share capital of Altice Holdings to secure the Senior Secured Debt and the Senior Secured Guarantees and a second-ranking pledge over all of the share capital of Altice Holdings to secure the Senior Notes and the Senior Notes Guarantees. The transactions described above (other than the Merger of Altice Pool and Altice Holdings) are collectively referred to as the "Fold-In". Subject to certain conditions contained in the New Indenture, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan, Altice VII will be entitled to make a distribution to its shareholder in an amount equal to the Deferred Consideration. See "*Use of Proceeds*". For purposes of "The Transactions," we assume Altice Holdings will be the surviving entity following the Fold-In.

Cabovisao Refinancing

As of the Issue Date, Altice Holdings has €203 million of indebtedness outstanding under the Existing Cabovisao Bridge Facility. The Existing Senior Secured Notes Issuer will directly assume the obligations of Altice Holdings under, and repay with a portion of the proceeds from the offering of New Senior Notes, the Existing Cabovisao Bridge Facility (the "Cabovisao Refinancing") in exchange for €203 million of obligations owed by Altice Holdings to the Existing Senior Secured Notes Issuer under the AH Proceeds Loan. In connection with the Cabovisao Refinancing, the collateral securing the Existing Cabovisao Bridge Facility will be assigned to secure the Senior Secured Debt. The Cabovisao Refinancing is expected to be completed on the Escrow Release Date.

Coditel Refinancing

As of the Issue Date, Coditel Holding has €138 million of indebtedness outstanding under the Existing Coditel Senior Facility. Coditel Holding will prepay approximately €7 million of indebtedness under the Existing Coditel Senior Facility with available cash. Altice Holdings, or a special purpose vehicle incorporated for the purpose of the Coditel Refinancing, expects to purchase substantially all of the remaining interests of the existing lenders under the Existing Coditel Senior Facility with a portion of the amounts borrowed under the AH Proceeds Loan (the "Coditel Refinancing"). The Coditel Refinancing is expected to occur on the Escrow Release Date.

Coditel Acquisition

As of the Issue Date, Deficom Telecom S.à r.l., a majority-owned subsidiary of Altice VII, is the owner of 60% of the outstanding shares of Coditel Holding Lux II S.à r.l. ("Coditel Holdco") and various funds advised by Apax Partners MidMarket SAS (the "Coditel Minority Shareholder") is the owner of the remaining outstanding shares of Coditel Holdco. On March 7, 2013, Altice VII and the Coditel Minority Shareholder entered into a purchase and sale agreement (the "Coditel Purchase Agreement") pursuant to which Altice VII will, through a wholly-owned subsidiary, purchase all of the outstanding shares of Coditel Holdco held by the Coditel Minority Shareholder (the "Coditel Acquisition"). A portion of the AH Proceeds Loan will be on lent to Altice West Europe (the "Altice West Europe Proceeds Loan") to fund the Coditel Acquisition. The consummation of the Coditel Acquisition is not subject to regulatory approvals and Altice VII has until November 29, 2013 to pay the consideration to the Coditel Minority Shareholder under the Coditel Purchase Agreement.

Le Cable Refinancing

Le Cable Martinique and Le Cable Guadeloupe are subsidiaries of ABO, which in turn is a subsidiary of Altice VII. As of the Issue Date, Le Cable Martinique has €8 million of indebtedness outstanding and Le Cable Guadeloupe has €14 million of indebtedness outstanding, in each case owed to ABO. In connection with the Outremer Transaction (as described below), Altice Holdings will use a portion of the amounts borrowed under AH Proceeds Loan to make intercompany loans (collectively, the "Le Cable Proceeds Loans") to (x) Le Cable Martinique to refinance the existing indebtedness of Le Cable Martinique and (y) Le Cable Guadeloupe to refinance the existing indebtedness of Le Cable Guadeloupe (collectively, the "Le Cable Refinancing"). The Le Cable Refinancing is expected to be completed on the Escrow Release Date.

ABO Refinancing

As of the Issue Date, ABO has approximately €70 million of indebtedness outstanding to third parties. Altice Holdings will use a portion of the amounts borrowed under the AH Proceeds Loan to make an intercompany loan to ABO (the "ABO Proceeds Loan"), the proceeds of which will be used by ABO (together with proceeds received by it pursuant to the Le Cable Refinancing) to refinance its existing indebtedness (the "ABO Refinancing"). The ABO Refinancing is expected to be completed on the Escrow Release Date.

Outremer Transaction

On June 7, 2013, (i) Altice VII and Altice Caribbean (which will be substituted by NewCo OMT, a newly incorporated entity formed by Altice Caribbean for the purpose of the Outremer Transaction) entered into a sale and purchase agreement (the "Outremer Purchase Agreement") with the existing investors in, and certain managers of, OMT Invest and certain of its affiliates (the "OMT Group") pursuant to which (i) NewCo OMT has agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately to NewCo OMT pursuant to the Outremer Investment Agreement (as described below) on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries will be refinanced using a portion of amounts borrowed under the AH Proceeds Loan as described below. In addition, on June 7 2013, the parties to the Outremer Purchase Agreement entered into an investment agreement (the "Outremer Investment Agreement") pursuant to which (i) ABO will contribute all of the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe to NewCo OMT and

(ii) managers of OMT Invest will contribute to Newco OMT, directly or indirectly, all of the outstanding shares of OMT Invest not sold to NewCo OMT under the Outremer Purchase Agreement. Upon completion of the Outremer Transaction, Altice VII will, through its wholly-owned subsidiary Altice Caribbean, own approximately 77% of the equity interests in NewCo OMT with the remaining equity interest being held by management of OMT Invest (the "OMT Minority Shareholders"). The transactions described above are collectively referred to as the "Outremer Transaction".

Altice Holdings will use a portion of the amounts borrowed under the AH Proceeds Loan to make (i) a €80 million intercompany loan to Altice Caribbean (which will be used to subscribe to convertible bonds issued by NewCo OMT (the "NewCo Convertible Bonds")), (ii) a €106 million intercompany loan to NewCo OMT; (iii) a €147 million intercompany loan to OMT Invest (out of which OMT Invest will make a € 26 million intercompany loan to Group Outremer Telecom (the "GOT On-Loan")), and (iv) a €25 million intercompany loan to Outremer Telecom (collectively, but excluding the NewCo Convertible Bonds and the GOT On-Loan, the "Outremer Proceeds Loans"). The Outremer Proceeds Loans will be used to consummate the Outremer Transaction and pay certain fees and expenses in relation to the Outremer Transaction. The completion of the Outremer Transaction requires the approval of the French Autorité de Contrôle Prudentiel ("ACP") in connection with the payment activities of the OMT Group. However, the sellers of OMT Invest and Altice Caribbean have agreed that the request for approval will not be a condition to closing of the Outremer Transaction, and that the relevant subsidiary of the OMT Group shall not engage into its payment activities (which it intends to launch by the end of 2013) until such authorization is granted (see "*Regulatory*"). If we fail to obtain regulatory approval, we may lose our license and be unable to engage in payment activities. The Outremer Transaction is not subject to any conditions precedent and the completion of the Outremer Transaction is scheduled to occur by July 15, 2013.

On completion of the Outremer Transaction, Altice Caribbean will enter into a shareholders' agreement with the OMT Minority Shareholders (the "OMT Shareholders' Agreement"), which will include certain limitations on Altice Caribbean's rights as a majority shareholder of NewCo OMT. The OMT Minority Shareholders and Altice Caribbean will have certain veto and consent rights. The OMT Shareholders' Agreement shall contain certain restrictions to the transfer of Newco OMT's shares, including (i) an inalienability period of five years (subject to certain exceptions) and (ii) pre-emption rights in case of partial transfers of shares. Further, the OMT Shareholders' Agreement shall grant certain liquidity rights to the OMT Minority Shareholders on their shares in NewCo OMT, including by providing for (A) a buy-back plan for a portion of the shares of NewCo OMT issued to the OMT Minority Shareholders in remuneration of their contributions in kind and (B) put option arrangements pursuant to which the OMT Minority Shareholders may sell to Altice Caribbean (i) up to one third of their shares in NewCo OMT in 2016, (ii) an additional one third of their shares in 2017 (plus all shares covered by the 2016 put option arrangement but not sold in 2016) and (iii) the remaining of their shares in 2018. The OMT Shareholders' Agreement will also provide that NewCo OMT will annually distribute 50% of its consolidated net income to its shareholders, after deduction of the amounts necessary to satisfy to the requirements of the OMT Group under its financing arrangements, the payment of management fees and the share buy-back plan. In addition, the OMT Shareholders' Agreement will provide that, in case of an indirect change of control of Newco OMT occuring while the OMT Group is not in default under the Outremer Proceeds Loans, including as a result of enforcement by creditors of Altice Caribbean, including holders of the New Senior Notes offered hereby, the OMT Minority Shareholder shall have a put option and a drag-along right on all of their shares in NewCo OMT, exercisable directly vis à vis Altice VII.

ONI Transaction

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the "ONI Purchase Agreement"), the owner of the Portuguese telecommunications group, ONI, pursuant to which Altice Holdings will, directly or indirectly through Cabovisao, purchase substantially all of the outstanding shares of ONI and refinance the outstanding indebtedness of ONI (the "ONI Transaction"). Altice Holding will use a portion of the amounts borrowed under the AH Proceeds Loan to subscribe to bonds issued by Cabovisao, which will in turn use such amounts for the purpose of consummating the ONI Transaction. The consummation of the ONI Transaction is subject to regulatory approval and is expected to occur by August 31, 2013. In addition, Altice Holdings's obligation to consummate the ONI Transaction is subject to approval of the ONI Transaction by certain third party lenders to ONI. In the event such approval is not obtained, Altice Holdings intends to waive the condition precedent, consummate the ONI Transaction and repay the existing ONI indebtedness with a portion of the proceeds from the Transactions.

Transactions Risks

Our expectation regarding timing of completion of the ONI Transaction and the Outremer Transaction may differ from the actual timing due to various circumstances beyond our control, including regulatory approvals. Up to € 85 million of indebtedness under the New Term Loan may be drawn for general corporate purposes in the event the proceeds of such indebtedness are not used to finance the Transactions, subject to the ability to incur such indebtedness on the date of drawing under the terms of our indebtedness and provided that such drawing occurs prior to November 30,

2013. For details regarding the expected corporate and financing structure following the completion of the Transactions, see "*Summary Corporate and Financing Structure*".

Escrow Release

The proceeds of the New Senior Notes were released from escrow on July 2, 2013, following the satisfaction of the Escrow Release Condition. The New Term Loan, the New Revolving Credit Facility and the New Guarantee Facility were entered into on June 24, 2013. The Fold-In, the Cabovisao Refinancing, the Coditel Refinancing, the ABO Refinancing and the Le Cable Refinancing were consummated on July 2, 2013. The Outremer Transaction was consummated on July 5, 2013.

USE OF PROCEEDS

Sources and Uses for the Transactions

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, (i) differences in the amount of indebtedness outstanding (ii) the time each component of the Transactions is completed and (iii) differences from our estimates of fees and expenses and the actual fees and expenses, in each case as of the completion of the individual transactions contemplated by the Transactions. See "*The Transactions*".

Sources of Funds	€ in millions	Uses of Funds	€ in millions
New Senior Notes offered hereby[1]	250	Cabovisao Refinancing[2]	203
New Term Loan[1]	795	Coditel Refinancing[3]	131
Cash on Balance Sheet[9]	52	Coditel Acquisition	85
		ABO Refinancing[4]	70
		Outremer Transaction[5]	359
		ONI Transaction[6]	85
		Deferred Consideration[7]	135
		Total Transaction Costs[8]	30
Total Sources	**1,097**	**Total Uses**	**1,097**

(1) The gross proceeds from the sale of the New Senior Notes have been deposited in a segregated escrow account in the name of the Trustee on behalf of the holders of the New Senior Notes pending satisfaction of the Escrow Release Condition. The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. Upon release of the proceeds from the offering of New Senior Notes from escrow (the "Escrow Release Date"), the Senior Notes Issuer will make an intercompany loan of the proceeds of the offering of the New Senior Notes (the "New Senior Notes Proceeds Loan") to the Existing Senior Secured Notes Issuer, which will in turn use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of one or more draws under the New Term Loan to make an aggregate €933 million proceeds loan to Altice Pool (which may be assumed by Altice Holdings in the event Altice Holdings is the surviving entity following the Fold-In) (the "AH Proceeds Loan") of which €203 million will be consideration for the Cabovisao Refinancing described below and € 730 million will be in cash. The Existing Senior Secured Notes Issuer will use the remaining proceeds from the New Senior Notes Proceeds Loan and the New Term Loan to pay certain fees and expenses incurred in connection with the Transactions and for general corporate purposes. The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be no less than €500 million if the Outremer Transaction is to be completed at the time of the draw or € 500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time. Assumes the New Senior Notes and the New Term Loan are issued at par.

(2) Represents refinancing of €203 million of indebtedness of Altice Holdings outstanding under the Existing Cabovisao Bridge Facility including accrued interest. Assumes the Cabovisao Refinancing will occur by June 30, 2013. The Cabovisao Refinancing is expected to be completed on the Escrow Release Date.

(3) Represents the purchase by Altice Holdings (or a special purpose vehicle incorporated for this purpose) of substantially all outstanding interests of the existing lenders under the Existing Coditel Senior Facility. As of March 31, 2013, €138 million was outstanding under the Existing Coditel Senior Facility, out of which €7 million will be prepaid using cash at Coditel Holding. Assumes the Coditel Refinancing will occur by June 30, 2013, includes accrued interest and that all existing lenders under the Existing Coditel Senior Facility will agree to transfer their interests under the Existing Coditel Senior Facility. The Coditel Refinancing is expected to be completed on the Escrow Release Date.

(4) Represents refinancing of (i) outstanding indebtedness of ABO and (ii) outstanding indebtedness of Le Cable Martinique and Le Cable Guadeloupe, in each case, plus accrued interest. Assumes the ABO Refinancing and the Le Cable Refinancing will occur by June 30, 2013. The ABO Refinancing and the Le Cable Refinancing are expected to occur on the Escrow Release Date.

(5) Assumes completion of the Outremer Transaction by June 30, 2013. In connection with the Outremer Transaction, approximately €22 million of cash on the balance sheet of Outremer will be used to refinance existing indebtedness of Outremer.

(6) Represents repayment of ONI indebtedness of approximately € 60 million and the purchase price for the shares of ONI of approximately €25 million. The ONI Transaction is subject to receipt of regulatory approval.

(7) For a description of the Deferred Consideration, see "The Transactions—Fold-In". Subject to certain conditions contained in the New Indenture, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan, Altice VII will be entitled to make a distribution to its shareholder in an amount equal to the Deferred Consideration. See "Description of Notes".

(8) This amount reflects our estimate of the fees and expenses we will pay in connection with the Transactions, including commitment, placement, financial advisory and other transaction costs and professional fees. This amount may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the various transactions contemplated by the Transactions.

(9) Represents combined cash and cash equivalents of the Combined Entities and the Existing Senior Secured Notes Issuer that will be used in connection with the Transactions. Any differences in the estimates set forth above and the actual payments made will be reflected in an increase or decrease in cash. This amount does not include approximately €7 million of cash on balance sheet of Coditel Holding and approximately € 22 million of cash on the balance sheet of Outremer which will be used in connection with the respective refinancings in the Coditel Refinancing and Outremer refinancings.

CAPITALIZATION

The following table presents, in each case, the cash and cash equivalents and debt capitalization as of March 31, 2013 of the Combined Entities, the Senior Notes Issuer and the Existing Senior Secured Notes Issuer (i) on a historical combined basis and (ii) on an as adjusted combined basis after giving effect to the Transactions, including the offering of the New Senior Notes hereby and funding of the New Term Loan and the application of the proceeds therefrom. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Transactions. This table should be read in conjunction with "*Use of Proceeds*", "*Unaudited Pro Forma Financial Data of the Combined Entities*", "*Description of Other Indebtedness*" and the financial statements and notes thereto included elsewhere in this Offering Memorandum.

The impact of any derivative instruments that we may enter into to manage foreign currency risk associated with the New Senior Notes has not been reflected in the as adjusted data presented in the table. Except as set forth in the footnotes to this table, there have not been material changes to our capitalization since March 31, 2013.

	March 31, 2013	
	Actual	As Adjusted
	€ in millions	
Cash and cash equivalents[1]	**108**	**27**
Third-party debt:		
Third-party senior debt		
Existing HOT Unsecured Notes[2]	298	298
Existing Coditel Mezzanine Facility[3]	106	106
Finance leases	30	30
Existing Senior Secured Notes[4]	569	569
New Term Loan[5]	—	795
Revolving Credit Facilities[6]	—	—
Total third-party senior debt (excluding other liabilities)[7]	**1,002**	**1,797**
Existing Senior Notes[8]	331	331
New Senior Notes offered hereby[9]	—	250
Total third-party debt (excluding other liabilities)[7]	**1,333**	**2,378**

[1] Reflects combined cash and cash equivalents of the Combined Entities and the Existing Senior Secured Notes Issuer and the Senior Notes Issuer. See "*Unaudited Pro Forma Financial Data of the Combined Entities*". This includes approximately €12 million of restricted cash. The as adjusted cash and cash equivalents reflects that approximately €22 million of cash on balance sheet at Outremer will be used to repay indebtedness and/or pay a portion of the purchase in the Outremer Transaction and that approximately €7 million of cash on balance sheet at Coditel Holding will be used to purchase amounts outstanding under the Existing Coditel Senior Facility.

[2] Reflects the aggregate NIS 1,389 million Existing HOT Unsecured Notes outstanding (reduced by capitalized debt issuance costs). The amount is based on the exchange rate as of March 31, 2013 of €0.2145 = NIS1.00.

[3] Coditel Mezzanine Facility is callable from November 2014 at a price of 106.875.

[4] Reflects the aggregate $460 million and €210 million Existing Senior Secured Notes outstanding. The amount is based on the exchange rate as of March 31, 2013 of €1.2819 = $1.00.

[5] Assumes the maximum amount of €795 million available under the New Term Loan is drawn. The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be no less than €500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time.

[6] The Existing Senior Secured Notes Issuer may draw on the Revolving Credit Facilities to support our working capital purposes. The Revolving Credit Facilities are made up of (i) an $80 million Existing Revolving Credit Facility, (ii) a €50 million New Revolving Credit Facility and (iii) a €75 million New Guarantee Facility.

[7] Excludes other long-term and short-term liabilities, other than finance leases, of the Combined Entities and any intercompany loans among the Combined Entities and other members of the Group. Other long-term and short-term liabilities include, among other things, HOT's obligations to the State of Israel related to its cellular license and its ownership of the cable network, contingent consideration on behalf of the HOT Mobile acquisition, trade payables, other payables, provision for lawsuits, accrued severance liability, and deferred tax liability.

[8] Reflects the aggregate $425 million Existing Senior Notes outstanding. The amount is based on the exchange rate as of March 31, 2013 of €1.2819 = $1.00.

[9] Reflects the issuance of the New Senior Notes offered hereby. The gross proceeds from the sale of the New Senior Notes will be deposited in a segregated escrow account in the name of the Trustee on behalf of the holders of the New Senior Notes pending satisfaction of the

Escrow Release Condition. The Escrow Release Condition will be deemed to have been satisfied upon the delivery of an officer's certificate (the "Escrow Release Certificate") by the Senior Notes Issuer to the Escrow Agent certifying, among other things, that each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the proceeds of the New Senior Notes from the Escrow Account and (x) all indebtedness incurred by the Senior Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture and the Existing Senior Notes Indenture and (y) all indebtedness incurred by the Existing Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. Upon release of the proceeds from the offering of New Senior Notes from escrow (the "Escrow Release Date"), the Senior Notes Issuer will make an intercompany loan of the proceeds of the offering of the New Senior Notes (the "New Senior Notes Proceeds Loan") to the Existing Senior Secured Notes Issuer, which will in turn use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of one or more draws under the New Term Loan to make an aggregate €933 million proceeds loan to Altice Pool (which may be assumed by Altice Holdings in the event Altice Holdings is the surviving entity following the Fold-In) (the "AH Proceeds Loan") of which €203 million will be consideration for the Cabovisao Refinancing described below and €730 million will be in cash. The Existing Senior Secured Notes Issuer will use the remaining proceeds from the New Senior Notes Proceeds Loan and the New Term Loan to pay certain fees and expenses incurred in connection with the Transactions and for general corporate purposes. See "*The Transactions*" and "*Use of Proceeds*".

Shareholder Funding

Upon completion of the Transactions, Altice VII will have approximately €325 million of shareholder funding outstanding, made up of approximately €4 million of shareholder loans and approximately €321 million of PECs. See "*Description of Other Indebtedness—Shareholder Funding*".

UNAUDITED PRO FORMA FINANCIAL DATA OF THE COMBINED ENTITIES

The following unaudited pro forma condensed aggregated income statements and statements of financial position as of and for the year ended December 31, 2012 and as of and for the three months ended March 31, 2012 and 2013 (collectively, the "Combined Entities Pro Forma Financial Statements"), present an aggregation of the income statements and statements of financial position, as the case may be, of Cool Holding, HOT, Cabovisao, Coditel Holding, Group Outremer Telecom, Le Cable Martinique, Le Cable Guadeloupe and Green as of and for the applicable periods. These financial statements have not been audited or reviewed.

The Combined Entities Pro Forma Financial Statements represent the arithmetical sum after taking account of intercompany eliminations of the corresponding items from the income statements and statements of financial position, as the case may be, for each of Cool Holding, HOT, Cabovisao, Coditel Holding, Group Outremer Telecom, Le Cable Martinique, Le Cable Guadeloupe and Green (collectively the Combined Entities) for the applicable periods prepared in accordance with IFRS. The financial information and results of operations of the Senior Notes Issuer, the Existing Senior Secured Notes Issuer, Altice VII, any other holding company of the Group not consolidated in the financial statements of the Combined Entities, certain portfolio companies of Altice VII that will be sold or otherwise transferred out of the Group prior to consummation of the Transactions, or ONI are not included in the Combined Entities Pro Forma Financial Statements. The Combined Entities Pro Forma Financial Statements neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such. The Combined Entities Pro Forma Financial Statements are presented for illustrative purposes only and do not purport to present the operations of the Combined Entities or the Group as they actually would have been had the Transactions (including this offering or the incurrence of the New Term Loan and the application of proceeds therefrom) occurred with effect from January 1, 2012, or to project the operating results or financial condition of the Combined Entities or the Group for any future period. The Combined Entities Pro Forma Financial Statements include no additional pro forma adjustments (except for intercompany eliminations) to present the aggregated income statement as if the Transactions had been completed on January 1, 2012. The Combined Entities Pro Forma Financial Statements should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the accompanying notes as well as the historical and other financial statements included elsewhere in the Offering Memorandum.

Combined Entities Pro Forma Statements of Financial Position

	As of March 31,2012								
	CABOVISAO	OUTREMER	COOL HOLDING	GREEN	CODITEL HOLDING	MTVC	WSG	INTERCOMPANY ELIMINATIONS	TOTAL
			(€ in thousands) (unaudited)						
ASSETS									
Cash and Cash equivalents	10,648	22,629	5,451	1,101	6,901	63	92		46,884
Restricted cash	9,341	—	54,512	254	—				64,107
Trade receivables	5,696	24,772	76,721	2,408	20,917	707	1,223	(123)	132,321
Other receivables	1,875	10,144	13,729	3,505	733	2,631	736		33,354
Inventories		3,740	3,836	3	1,043	8			8,631
Total current assets	**27,559**	**61,285**	**154,250**	**7,271**	**29,594**	**3,409**	**2,051**		**285,296**
Other long-term trade receivables		—	19,382	—	2,115				21,497
Investment in financial assets available for sale		—	7,268	—	—		1,192		8,460
Long-term trade receivables		1,377	23,016	2,498	71		125		27,087
Fixed assets	145,872	66,634	839,087	15,915	45,061	18,691	19,234		1,150,494
Intangible assets		30,820	380,981	19,178	6,333				437,312
Goodwill		41,634	638,805	23,461	344,138				1,048,038
Deferred taxes		832	14,537	489	—				15,857
Total non-current assets	**145,872**	**141,297**	**1,923,077**	**61,541**	**397,718**	**18,691**	**20,551**		**2,708,747**
TOTAL ASSETS	**173,431**	**202,583**	**2,077,327**	**68,812**	**427,312**	**22,100**	**22,602**	(123)	**2,994,043**
Credit from banking corporations and debentures		13,642	134,060	—	9,689		—		157,391
Trade payables	28,257	37,474	165,556	3,756	25,597	7,628	9,060	(123)	277,205
Other payables	14,518	28,255	78,134	15,146	13,375	845	1,117		151,391
Short-term loans from related parties		—	228,548	9,385	—				237,933
Provision for legal claims	5,056	3,038	35,938	—	224	871	229		45,355
Total current liabilities	**47,831**	**82,409**	**642,237**	**28,287**	**48,885**	**9,344**	**10,406**	(123)	**869,276**
Loans from banking corporations and debentures		83,593	652,736	1,316	214,489				952,135
Long-term loans from related parties		—	—	10,481	141,696	9,629	19,211		181,016
Other long-term liabilities		6,366	112,659	830	—		685		120,540
Advances received from the terminal equipment Installation		—	8,884	—	—				8,884
Employee benefit liabilities		1,928	5,653	1,442	806	100	165		10,094
Deferred Taxes		979	121,946	4,824	8,541				136,290
Total non-current liabilities	**—**	**92,866**	**901,878**	**18,893**	**365,532**	**9,729**	**20,061**		**1,408,958**
Share capital	5,000	2,756	1,211	24,402	643	3,513	1,200		38,726
Share premium	496,840	30,724	91,258	—	3,446				622,268
Capital reserve on transaction with a controlling shareholder			(1,817)						(1,817)
Accumulated profit (loss)	(376,240)	(6,173)	111,044	(2,770)	8,806	(486)	(9,065)		(274,884)
Non controlling interest			331,516						331,516
Total equity	**125,600**	**27,307**	**533,212**	**21,632**	**12,895**	**3,028**	**(7,865)**	(123)	**715,809**
TOTAL EQUITY AND LIABILITIES	**173,431**	**202,583**	**2,077,327**	**68,812**	**427,312**	**22,100**	**22,602**	(123)	**2,994,043**

	December 31, 2012								
	CABOVISÃO	OUTREMER	COOL HOLDING	GREEN	CODITEL HOLDING	MTVC	WSG	INTERCOMPANY ELIMINATIONS	TOTAL
	(€ in thousands) (unaudited)								
ASSETS									
Cash and Cash equivalents[1]	10,284	27,696	6,503	2,700	6,469	106	132		53,889
Restricted cash	9,341	—	14,022	262	—	—	—		23,624
Trade receivables	6,857	28,265	111,563	6,498	21,442	549	2,365	(192)	177,347
Other receivables	871	6,609	12,802	322	630	5,182	580		26,996
Inventories		4,420	5,487	21	564	—			10,492
Total current assets	**27,352**	**66,991**	**150,376**	**9,803**	**29,104**	**5,837**	**3,077**	(192)	**292,348**
Other long-term trade receivables		—	16,663	—	2,745	—			19,408
Investment in financial assets available for sale		—	5,690	—	—		939		6,629
Loan to related party			37,391						37,391
Long-term trade receivables	654	1,568	23,369	2,493	71	655	122		28,932
Fixed assets	132,428	68,302	895,550	16,671	48,106	17,171	19,087		1,197,314
Intangible assets		34,060	346,678	16,224	14,138	520	24		411,643
Goodwill		41,634	520,219	24,382	344,138				930,374
Deferred taxes		3,230	14,631	421	—				18,283
Total non-current assets	**133,082**	**148,793**	**1,860,191**	**60,191**	**409,198**	**18,346**	**20,172**	—	**2,649,973**
TOTAL ASSETS	**160,434**	**215,784**	**2,010,567**	**69,994**	**438,302**	**24,183**	**23,249**	(192)	**2,942,321**
Credit from banking corporations and debentures[2]	9,900	16,810	25,401	—	5,907	34			58,052
Trade payables	35,668	48,276	215,810	5,839	28,551	7,910	9,753	(192)	351,615
Other payables	12,906	30,806	87,787	18,440	19,692	1,479	6,556		177,665
Short-term loans from related parties		—	14,225	8,314	—				22,539
Provision for legal claims	5,369	3,436	15,647	—	224	821	311		25,808
Total current liabilities	**63,843**	**99,328**	**358,870**	**32,593**	**54,373**	**10,244**	**16,620**	(192)	**635,679**
Credit from banking corporations and debentures[2]	15,100	77,730	269,457	1,698	217,925				581,910
Long-term loans from related parties		—	794,351	7,522	154,538	8,551	15,027		979,989
Other long-term liabilities		6,033	75,391	1,118	—		62		82,605
Advances received from the terminal equipment Installation		—	10,567	—	—				10,567
Employee benefit liabilities		2,281	6,503	1,988	673	110	165		11,720
Deferred Taxes		714	117,253	4,458	8,845				131,270
Total non-current liabilities	**15,100**	**86,758**	**1,273,522**	**16,784**	**381,981**	**8,661**	**15,254**	—	**1,798,060**
Share capital	5,000	2,756	1,219	24,348	643	3,513	1,200		38,679
Share premium	461,740	30,724	—	—	3,446				495,910
Capital reserve on transaction with a controlling shareholder			341,597						341,597
Capital reserve from available for sale financial asset		—	1,219	—	—				1,219
Capital reserve on transaction with non controlling shareholder			52,225						52,225
Accumulated profit (loss)	(385,249)	(3,783)	(27,433)	(3,731)	(2,141)	1,765	(9,825)		(430,397)
Non controlling interest			9,348						9,348
Total equity	**81,491**	**29,698**	**378,175**	**20,617**	**1,948**	**5,278**	**(8,625)**	—	**508,582**
TOTAL EQUITY AND LIABILITIES	**160,434**	**215,784**	**2,010,567**	**69,994**	**438,302**	**24,183**	**23,249**	(192)	**2,942,321**

[1] Does not include cash and cash equivalents of the Senior Notes Issuer or the Existing Senior Secured Notes Issuer. As of December 31, 2012, the Senior Notes Issuer had €83.7 million of cash and cash equivalents (on a consolidated basis).

[2] These amounts do not reflect the total amount of indebtedness of the Senior Notes Issuer and the Existing Senior Secured Notes Issuer. For details, see "—Capitalization".

Combined Entities Pro Forma Statement of Financial Position

	March 31, 2013								
	CABOVISAO	OUTREMER	COOL HOLDING	GREEN	CODITEL HOLDING	MTVC	WSG	INTERCOMPANY ELIMINATIONS	TOTAL
			(€ in thousands) (unaudited)						
ASSETS									
Cash and Cash equivalents[1]	7,765	22,661	9,869	413	7,450	415	451		49,024
Restricted cash	9,383	—	3,218	253	—				12,854
Trade receivables	7,094	23,796	107,917	3,623	22,111	1,113	2,294	(121)	167,827
Other receivables	1,319	7,766	15,018	2,102	864	5,724	1,096		33,889
Inventories		4,053	7,509	157	849	—			12,568
Total current assets	**25,561**	**58,275**	**143,531**	**6,548**	**31,274**	**7,252**	**3,841**	(121)	**276,162**
Other long-term trade receivables		—	15,876	—	2,708				18,584
Investment in financial assets available for sale		—	6,007	—	—		895		6,902
Loan to related party			39,477						39,477
Long-term trade receivables	654	1,661	27,891	2,473	71		26		32,776
Fixed assets	128,535	67,989	923,836	17,183	46,812	18,443	18,622		1,221,421
Intangible assets		35,461	353,358	15,576	16,090				420,484
Goodwill		41,634	549,238	24,192	344,138				959,203
Deferred taxes		397	12,229	407	—				13,033
Total non-current assets	**129,189**	**147,142**	**1,927,912**	**59,831**	**409,819**	**18,443**	**19,543**	—	**2,711,880**
TOTAL ASSETS	**154,750**	**205,417**	**2,071,444**	**66,379**	**441,093**	**25,695**	**23,384**	(121)	**2,988,041**
Credit from banking corporations and debentures[2]	9,900	13,856	26,818	—	6,749		—		57,323
Trade payables	28,279	39,634	208,968	5,446	27,331	8,339	8,784	(121)	326,659
Other payables	14,127	30,605	113,280	14,707	19,535	1,539	1,618		195,412
Short-term loans from related parties		—	3,218	8,432	—				11,650
Provision for legal claims	5,369	3,397	13,731	—	224	821	311		23,853
Total current liabilities	**57,675**	**87,492**	**366,016**	**28,585**	**53,839**	**10,699**	**10,713**	(121)	**614,897**
Loans from banking corporations and debentures[2]	13,600	73,376	271,186	1,860	219,228				579,250
Long-term loans from related parties		—	838,661	7,464	159,501	9,005	20,217		1,034,848
Other long-term liabilities		5,801	74,877	1,109	—		685		82,472
Advances received from the terminal equipment Installation		—	11,371		—				11,371
Employee benefit liabilities		2,297	6,436	1,972	623	114	165		11,607
Deferred Taxes		714	120,360	4,280	9,443				134,797
Total non-current liabilities	**13,600**	**82,188**	**1,322,892**	**16,685**	**388,795**	**9,119**	**21,067**	—	**1,854,345**
Share capital	5,000	2,756	1,287	24,158	643	3,513	1,200		38,558
Share premium	461,740	30,724		—	3,446				495,910
Capital reserve on transaction with a controlling shareholder			360,652						360,652
Capital reserve on the re measurement of defined benefit plans			(1,716)						(1,716)
Capital reserve from available for sale financial asset		—	1,287	—	—				1,287
Capital reserve on transaction with non controlling shareholder			55,138						55,138
Accumulated profit (loss)	(383,265)	2,257	(43,982)	(3,049)	(5,629)	2,365	(9,596)		(440,899)
Non controlling interest			9,869						9,869
Total equity	**83,475**	**35,738**	**382,536**	**21,109**	**1,540**	**5,878**	**(8,396)**	—	**518,799**
TOTAL EQUITY AND LIABILITIES	**154,750**	**205,417**	**2,071,444**	**66,379**	**441,093**	**25,695**	**23,384**	(121)	**2,988,041**

[1] Does not include cash and cash equivalents of the Senior Notes Issuer or the Existing Senior Secured Notes Issuer. As of March 31, 2013, the Senior Notes Issuer had €59.3 million of cash and cash equivalents (on a consolidated basis). On June 15, 2013, the Senior Notes issuer and the Existing Senior Secured Notes Issuer are expected to pay approximately €48 million of interest due under the Existing Notes.

[2] These amounts do not reflect the total amount of indebtedness of the Senior Notes Issuer and the Existing Senior Secured Notes Issuer. For details, see "—Capitalization".

Combined Entities Pro Forma Income Statement

	For the three months ended March 31, 2012								
	CABOVISAO	OUTREMER	HOT	GREEN	CODITEL HOLDING	MTVC	WSG	INTERCOMPANY ELIMINATIONS	TOTAL
			(€ in thousands) (unaudited)						
Revenues	**29,701**	**47,507**	**207,710**	**10,474**	**18,298**	**3,145**	**2,836**		**319,671**
Operating expenses	17,737	20,072	103,754	6,774	4,546	1,309	1,312	(15)	155,489
General and administrative expenses	4,433	3,988	7,483	466	1,086	135	165	—	17,756
Sales and marketing expenses	3,509	8,292	15,978	401	809	182	207	—	29,377
EBITDA	**4,023**	**15,155**	**80,495**	**2,833**	**11,857**	**1,519**	**1,152**	**(15)**	**117,019**
Depreciation and amortization	(113,629)	6,382	49,349	1,843	2,283	671	870	—	(52,231)
Other (revenues)/expenses, net	—	818	1,416	—	96	32	51	15	2,428
Management fees	197	—	—	166	480	290	137	—	1,270
Reorganization and extraordinary costs	328	—	—	—	—	(71)	(20)	—	237
Operating profit	**117,127**	**7,955**	**29,731**	**824**	**8,998**	**597**	**114**	**—**	**165,346**
Financing income	(17)	(27)	(2,022)	—	(113)	(6)	(9)	—	(2,195)
Financing expenses	4	1,221	15,169	257	11,263	109	181	—	28,204
Profit before taxes on revenue	**117,140**	**6,761**	**16,584**	**567**	**(2,152)**	**494**	**(58)**	—	**139,336**
Income tax (benefits)/expenses	97	2,526	4,449	179	110	—	—	—	7,362
Net income	**117,044**	**4,234**	**12,135**	**388**	**(2,262)**	**494**	**(58)**	**—**	**131,975**
Other comprehensive (loss)/income	**—**	**(190)**	**(1,213)**	**1**	**—**	—	—	—	**(1,402)**
Total comprehensive income	**117,044**	**4,044**	**10,921**	**389**	**(2,262)**	**494**	**(58)**	**—**	**130,572**

Combined Entities Pro Forma Income Statement

	For the year ended December 31, 2012								
	CABOVISAO	OUTREMER	HOT	GREEN	CODITEL HOLDING	MTVC	WSG	INTERCOMPANY ELIMINATIONS	TOTAL
			(€ in thousands) (unaudited)						
Revenues	**117,927**	**195,127**	**845,996**	**41,935**	**74,160**	**12,878**	**11,551**	—	**1,299,575**
Operating expenses	60,649	82,341	456,297	26,602	17,680	4,963	5,250	(127)	653,654
General and administrative expenses	12,153	17,155	32,895	1,599	4,545	527	698	—	69,572
Sales and marketing expenses	11,146	32,571	60,544	1,519	5,015	549	890	—	112,235
EBITDA	**33,979**	**63,060**	**296,260**	**12,215**	**46,920**	**6,839**	**4,713**	**(127)**	**463,859**
Depreciation and amortization	44,275	27,332	220,782	9,797	11,142	2,631	3,577	—	319,537
Other (revenues)/expenses, net	—	1,262	(4,642)	—	1,116	129	114	127	(1,893)
Management fees	4,500	—	—	713	1,941	1,161	895	—	9,211
Reorganization and extraordinary costs	7,745	—	—	649		(199)	370	—	8,565
Operating profit	**(22,542)**	**34,466**	**80,119**	**1,056**	**32,721**	**3,116**	**(243)**	**—**	**128,694**
Financing income	(82)	(773)	(3,633)	—	(465)	(20)	(43)	—	(5,015)
Financing expenses	2,228	5,222	64,580	1,234	46,440	392	617	—	120,713
Profit before taxes on revenue	**(24,688)**	**30,017**	**19,172**	**(178)**	**(13,254)**	**2,744**	**(817)**	—	**12,996**
Income tax (benefits)/expenses	268	11,218	3,431	(17)	2,209				17,109
Net income	**(24,956)**	**18,799**	**15,741**	**(161)**	**(15,463)**	**2,744**	**(817)**	—	**(4,113)**
Other comprehensive (loss)/income	**—**	**(660)**	**(2,220)**	**(419)**	—	—	—	—	**(3,299)**
Total comprehensive income	**(24,956)**	**18,139**	**13,521**	**(580)**	**(15,463)**	**2,744**	**(817)**	—	**(7,411)**

Combined Entities Pro Forma Income Statement

	For the three months ended March 31, 2013							
	CABOVISAO	OUTREMER	HOT	GREEN	CODITEL HOLDING	MTVC	WSG	INTERCOMP ELIMINATI
				(€ in thousands) (unaudited)				
Revenues	**28,892**	**48,096**	**217,393**	**9,623**	**18,543**	**3,107**	**2,964**	
Operating expenses	12,857	19,870	115,535	6,061	4,757	1,219	1,056	
General and administrative expenses	2,132	4,287	7,757	298	1,012	75	159	
Sales and marketing expenses	1,920	7,068	12,656	375	1,045	115	241	
EBITDA	**11,984**	**16,871**	**81,446**	**2,889**	**11,729**	**1,698**	**1,508**	
Depreciation and amortization	8,703	5,323	56,338	1,637	1,962	674	879	
Other (revenues)/expenses, net	—	1,303	7,961	—	264	32	52	
Management fees	667	—	—	153	486	275	250	
Reorganization and extraordinary costs	(76)	—	—	—		29	(40)	
Operating profit	**2,690**	**10,244**	**17,146**	**1,099**	**9,017**	**688**	**368**	
Financing income	(2)	(138)	(2,041)	—	(70)	(4)	(7)	
Financing expenses	708	1,095	14,493	300	11,552	92	147	
Profit before taxes on revenue	**1,984**	**9,287**	**4,695**	**799**	**(2,465)**	**600**	**228**	
Income tax (benefits)/expenses	—	3,448	1,225	150	893			
Net income	**1,984**	**5,839**	**3,470**	**649**	**(3,358)**	**600**	**228**	
Other comprehensive (loss)/income	**—**	**201**	**204**	**6**				
Total comprehensive income	**1,984**	**6,041**	**3,674**	**655**	**(3,358)**	**600**	**228**	

NOTE 1:—GENERAL

The unaudited combined pro forma income statements for the year ended December 31, 2012, for the three months period ended March 31, 2012 and for the three months period ended March 31, 2013 together with the unaudited combined pro forma statements of financial position as at December 31, 2012, March 31, 2012 and March 31, 2013 represents the Combined Entities combined pro forma financial statements (the "Unaudited Combined Entities Pro Forma Financial Statements").

NOTE 2:—BASIS OF PREPARATION

The Combined Entities Pro Forma Financial Statements is an aggregation of the Adjusted IFRS financial information of Cabovisao, Coditel Holding, Group Outremer Telecom, Cool Holding, Green, Coditel Holding, Le Cable Martinique and Le Cable Guadeloupe, net of intercompany transactions.

Cabovisao, Coditel Belgium, Coditel Luxembourg and Coditel Holding, Green, Le Cable Martinique and Le Cable Guadeloupe have not undertaken a quantitative reconciliation of their consolidated financial statements from Portuguese Accounting Standards, Belgian GAAP, Luxembourg GAAP, Swiss GAAP and French GAAP, respectively, to IFRS. Had any of these companies undertaken any such quantitative reconciliation, other potentially significant accounting and disclosure differences may have come to their attention, which are not identified in Annex A. Accordingly, there can be no assurance that these are the only differences in accounting principles that would have an impact on the financial statement of these entities.

The Unaudited Combined Entities Pro Forma Financial Statements does not purport to represent consolidated financial information for the Group, therefore it does not reflect any adjustment to conform accounting policies between the Combined Entities.

The IFRS Adjustments have been prepared as of March 31, 2012, December 31, 2012 March 31, 2013 based on IFRS applicable as of that date. New standards either released by the IASB but not effective as of March 31, 2013, or currently developed by the IASB might significantly affect the financial statements of these entities. The IFRS Adjustments identified should not be construed as an analysis of the impact of such new standards and they should be reassessed upon the effective of any new standard.

NOTE 3:—BASIS OF TRANSLATION

For the purposes of presenting the unaudited pro forma combined financial information:

- the balance sheet data of Cool Holding (i) as of March 31, 2012 have been converted into euro at an exchange rate as of March 31, 2012 of €0.2019 = NIS1.00, (ii) as of December 31, 2012 have been converted into euro at an exchange rate as of December 31, 2012 of €0.2032 = NIS1.00,and (iii) as of March 31, 2013 have been converted into euro at an exchange rate as of March 31, 2013 of €0.2145 = NIS1.00;

- the income statement data of HOT for (i) the three months ended March 31, 2012 have been converted into euro at an exchange rate of €0.2023 = NIS1.00 (being the average exchange rate for the period), (ii) the year ended December 31, 2012 have been converted into euro at an exchange rate of €0.2018 = NIS1.00 (being the average exchange rate for the year) and (iii) the three months ended March 31, 2013 have been converted into euro at an exchange rate of €0.2041= NIS1.00 (being the average exchange rate for the period);

- the balance sheet data of Green (i) as of March 31, 2012 have been converted into euro at an exchange rate as of March 31, 2012 of €0.8300= CHF1.00, (ii) as of December 31, 2012 have been converted into euro at an exchange rate as of December 31, 2012 of €0.8282= CHF1.00,and (iii) as of March 31, 2013 have been converted into euro at an exchange rate as of March 31, 2013 of €0.8217= CHF1.00; and

- the income statement data of Green for (i) the three months ended March 31, 2012 have been converted into euro at an exchange rate of €0.8168= CHF1.00 (being the average exchange rate for the period), (ii) the year ended December 31, 2012 have been converted into euro at an exchange rate of €0.8201 = CHF1.00 (being the average exchange rate for the year) and (iii) the three months ended March 31, 2013 have been converted into euro at an exchange rate of €0.8107 = CHF1.00 (being the average exchange rate for the period).

UNAUDITED PRO FORMA FINANCIAL AND OPERATING DATA OF HOT

The following unaudited pro forma condensed consolidated statements of comprehensive income for the year ended December 31, 2011 presents the combined pro forma financial statements of HOT and HOT Mobile and gives effect to the acquisition by HOT of HOT Mobile as if such acquisition had occurred on January 1, 2011, but does not give pro forma effect to the Transaction. These financial statements have not been audited.

These unaudited pro forma results do not purport to be indicative of the financial position and results of operations that HOT will obtain in the future, or that HOT would have obtained if the acquisition of HOT Mobile was effective as of the dates indicated above. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable. These unaudited pro forma condensed financial statements of HOT include historical consolidated financial statement information prepared in accordance with Israeli IFRS and with the provisions of the Israeli Securities Regulation (Annual Financial Statements) 2010, that has been derived from, and should be read in conjunction with the audited consolidated financial statements of HOT as of December 31, 2011 and 2012 and for the years ended December 31, 2010, 2011 and 2012., included elsewhere herein.

Pro Forma consolidated statements of comprehensive income for the year ended December 31, 2011 (hereinafter—the period)

	Note for the pro forma adjustments	Actual results for the period after reclassification	Hot Mobile actual results for the period (2b(2)(a))	Pro forma adjustments	Pro forma combined consolidated statement of comprehensive income for the period
			Unaudited NIS in Millions		
Revenues	2b(1)	3,374	833	(4)	4,203
Depreciation and amortization	2b(2)(b), 3	844	186	20	1,050
Operating expenses	2b(1)	1,621	460	(4)	2,077
Sales and marketing expenses	2b(2)(b), 3	242	94	(10)	326
Administrative and general expenses	2b(2)(e)	130	85	(11)	204
Other (income) expenses, net and network set up expenses		(103)	16	—	(87)
Operating income		640	(8)	1	633
Financing income		31	12	—	43
Financing expenses related to the acquisition	2b(2)(c)	—	—	(26)	(26)
Financing expenses		(230)	(34)	3	(261)
Income before taxes on income		441	(30)	(22)	389
Taxes on income	2b(2)(d), 3	100	3	1	104
Net income		341	(33)	(23)	285
Other comprehensive loss (after tax effect):					
Loss on available for sale financial asset		(36)	—	—	(36)
Total other comprehensive loss		(36)	—	—	(36)
Total comprehensive income		305	(33)	(23)	249

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Notes to Pro Forma Consolidated Financial Statements

NOTE 1:—GENERAL

The following unaudited pro forma condensed consolidated statements of comprehensive income (pro forma financial statements) for the year ended December 31, 2011 presents the combined pro forma financial statements of HOT (the "Company") and Hot Mobile Ltd. (hereinafter—Hot Mobile).

The unaudited pro forma financial statements for the year ended December 31, 2011 reflects the transaction as if it had occurred on January 1, 2011. The pro forma financial statements should be read in conjunction with the consolidated financial statements of the company as of December 31, 2012.

The significant accounting policies adopted in the preparation of the pro forma consolidated financial statements are consistent with those followed in the preparation of the Consolidated financial statements of the Company for December 31, 2012.

NOTE 2:—THE PRO FORMA EVENT AND THE PRO FORMA ASSUMPTIONS

a. The pro forma event:

On November 28, 2011 the acquisition of the entire rights in Hot Mobile from Altice Securities S.a.r.l (hereinafter—"Altice"), a company that is controlled by Altice VII S.a.r.l., which is the ultimate parent company of the Company and unrelated party (hereinafter—"Migad") was completed by the Company, which includes: (1) 33,000,000 ordinary shares of par value NIS 1.00 each in Hot mobile, constituting 100% of Hot mobile's issued and paid up share capital; (2) shareholders' loans in an amount of NIS 69 million, which has been made available to Hot mobile by Altice and Migad; as well as (3) a capital note in an amount of NIS 200 million, which had been issued to Hot mobile by Altice and Migad. The total consideration for the business combination amounted to up to NIS 1.2 billion.

As from the date of the completion of the transaction, the Company has been consolidating Hot Mobile financial statements.

The Company has recognized the fair value of Hot Mobile's assets acquired and the fair value of liabilities assumed in the business combination. The fair value had been determined by management with the assistance of an independent valuation firm.

Consideration

The total consideration for the acquisition of Hot Mobile has been calculated in accordance with the value of Hot Mobile shares which evaluated approximately to NIS 1.2 billion, which is based on the cash paid and the fair value of the contingent consideration, as detailed below:

1. An amount of NIS 750 million before a deduction in the amount of net debt assumed as defined in the purchase agreement (as of June 30, 2011—an amount of NIS 264 million), which was paid at the transaction completion date.

2. Additional contingent consideration, in an amount of NIS 450 million, which is subject to future performance, as detailed below:

   a) Contingent future payment based on the Company's and Hot Mobile's consolidated EBITDA targets—an amount of up to NIS 225 million is to be paid in four equal payments of NIS 56.25 million each, which are conditional upon achieving EBITDA targets in accordance with the consolidated financial statements of the Company (including Hot Mobile) for the years 2013 to 2016 inclusive, as defined in the agreement.

   b) Contingent future payment based on Hot Mobile's market share—an amount of up to NIS 225 million is to be paid conditional upon increasing Hot Mobile's "market share", as defined in Hot Mobile's license, up to the end of the year 2016 at a rate of 7% of the overall Israeli market, and this over and above its existing market share.

The fair value of the total consideration for Hot Mobile was determined in amount of NIS 826 million.

b. The assumption used in the preparation of the pro forma consolidated financial statements:

1. Consolidation adjustments:

Transactions between the Company and Hot Mobile have been eliminated in the pro-forma consolidated financial statements.

2. Pro-forma consolidated statements of comprehensive income:

a) The pro-forma consolidated financial statements include the historical consolidated statement of comprehensive income of the Company and the historical statement of comprehensive income of Hot Mobile for each reported period.

b) Depreciation and amortization of tangible assets, intangible assets and liabilities

The pro-forma consolidated financial statements include the depreciation of tangible assets such as fixed assets, the amortization of intangible assets such as customer relationships, customer relationships with a finite contractual period, license and brand name, based on the assumption that the acquisition accrued on January 1, 2011, as aforesaid.

c) The pro-forma consolidated financial statements include financing expenses which were derived in respect of the purchase of the shares in Hot Mobile, based on the loan assumed for the acquisition.

Furthermore, the pro-forma financial statements include financing expenses in respect of the contingent consideration that derived from the acquisition, which was estimated at an amount of NIS 340 million at the date of the acquisition. The contingent consideration has only been updated in respect of the financing component that represents the passage of time, in accordance with the rate of the amount that the Company incurred at the date of the completion the transaction.

d) The pro-forma consolidated financial statements include the tax effect on the amortization and depreciation of the assets acquired and liabilities assumed upon acquisition in accordance with the tax rate prevailed on that date. During the year 2011 due to change in the Law for Tax Burden Reform (Legislative amendments, 2011), the prevailing tax rates were changed. The company did not adjust the purchase price allocation for those changes.

e) The pro-forma consolidated financial statements include the elimination of management fees that were recorded by Hot Mobile to its parent company in the year 2011, since that agreement was endorsed as an agreement between Hot Mobile and the Company, and accordingly due to the consolidation of Hot Mobile in the Company’s financial statements, it constitutes an inter company transaction.

NOTE 3:—BUSINESS COMBINATION

a. Allocation of the purchase:

The purchase price has been allocated to Hot Mobile’s tangible and intangible assets as well as to the liabilities assumed in accordance with their assessed fair value. The excess of the purchase price over the fair value of the identified tangible assets and intangible assets accrued and less the fair value of the liabilities assumed has been recorded as goodwill.

As aforesaid, based on management evaluation, which was performed, the acquisition cost was allocated to Hot Mobiles’ assets and liabilities, as follows:

1. The “Mirs” brand name (which was evaluated at NIS 8 million) was evaluated in accordance with the “exemption from royalties” approach, a method that constitutes the implementation of the income approach in the evaluation of the value of assets.

2. Customer relationships (which were evaluated at NIS 168 million) were evaluated on the basis of the fair value of the existing customers and in accordance with the relationship with them in accordance with the excess earnings method for multiple periods.

3. Customer relationships with defined contractual periods (which were evaluated at NIS 86 million) were evaluated on the basis of the cash flows which are expected to be received during the period of the signed contracts.

4. Goodwill represents the surplus of the cost of the acquisition over the estimated fair value of the tangible and intangible assets after the deducting of the fair value of the liabilities assumed by the Company.

5. The fair value of the fixed assets (approximately NIS 640 million, including an excess cost of NIS 237 million) was determined in accordance with the actual current cost that would have derived where the cable network and other equipment had to be repurchased, and taking into account amortization representing technological and economic depreciation into account.

6. The liability in respect of the marketing contract as a result of its adjustment to fair value (which was estimated at approximately NIS 26 million) has been evaluated using the excess earning method, on the basis of the amounts which are expected to be paid in the course of the period of the marketing contract and the amounts that are expected to be paid under the parallel services contract at market prices.

7. Deferred taxes have been attributed in respect of the said surplus costs (except for goodwill).

b. The total purchase price allocated to the assets and liabilities:

	November 30, 2011 100% Fair value Unaudited
	NIS in millions
Current assets	238
Fixed assets	640
Customer relationships, including with a defined contractual period	254
The Mirs brand	8
Other intangible assets	127
Other non-current assets	83
	1,350
Current liabilities	550
Other non-current liabilities	61
Deferred taxes	120
	731
Identified assets, net	619
Goodwill	207
Total purchase price	826

c. The cost of the acquisition:

	Unaudited
	NIS in millions
Cash paid, including the repayment of a loan to the former shareholder	486
Contingent consideration	340
Total purchase price	826
Cash used as part of the acquisition	
Cash and cash equivalents in the acquired company	6
Cash paid	(486)
Net cash	(480)

NOTE 4:—OPERATING SEGMENTS

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") in HOT Group to make decisions about resources to be allocated and assess performance in the group. Accordingly, for management purposes, the group is organized into operating segments based on the services of the three major operating segments as follows:

The national landline telecommunication segment	—	HOT, through HOT Telecom, provides national landline telecommunication services
The cable TV segment	—	HOT and its subsidiaries provide multi-channel cable television broadcasting services to subscribers
The Cellular segment	—	HOT, through HOT Mobile, provides wireless cellular communication services

The accounting policy for operating segments is consistent with that described in Note 2 to the Company's annual financial statements.

The segment results reported to the CODM in HOT group include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated finance (consisting of finance expense and finance income) and taxes on income are managed on a group basis.

See Note 25b(16) in the financial statements of the Company as of December 31, 2012, regarding the method by which HOT Telecom charges HOT for the use of the cable infrastructure, end equipment and other fixed assets used in operation that is owned by HOT Telecom.

b. Reporting on operating segments:

	For the year ended December 31, 2011					
	Telecom	Cable Television	Cellular	Other	Adjustments[(*)]	Total
			Unaudited NIS Millions			
Total revenues	2,004	2,309	899	—	(1,009)	4,203
Segmental income (loss)	496	163	(24)	(8)	—	627
Other unattributed income, net						6
Operating income						633
Financing expenses						(244)
Income before taxes on income						389

(*) Adjustments attributed mainly to the telecom segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF HOT

The following discussion and analysis is intended to assist in providing an understanding of HOT-Telecommunication Systems Ltd.'s financial condition, changes in financial condition and results of operations and should be read together with the HOT's financial statements for the years ended December 31 2010, 2011 and 2012 and for the three months ended March 31, 2012 and 2013, including the accompanying notes, included elsewhere in this Offering Memorandum. Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with a prospective purchase of New Senior Notes. The capitalized terms used below have been defined in the notes to HOT's financial statements included herein. Unless otherwise indicated, convenience translations into U.S. dollars are calculated as of March 31, 2013 or December 31, 2012, as applicable. In this section only, references to 'we', 'us', 'our' and the 'Company' may refer to HOT-Telecommunication Systems Ltd. or, collectively, HOT-Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

Overview

We are the sole cable operator in Israel and one of two operators that own a national fixed-line network infrastructure, with our cable network passing most homes in Israel. We are the leading provider of pay television services and the second leading provider of broadband Internet infrastructure access and fixed-line telephony services in terms of number of subscribers in Israel. We are currently the only provider of bundled triple-play services in Israel, which include pay television, broadband Internet infrastructure access and fixed-line telephony services. We are also a growing provider of cellular services in Israel, having launched in May 2012 our Universal Mobile Telecommunication System ("UMTS")-based third generation ("3G") cellular services in addition to our existing Integrated Digital Enhanced ("iDEN") cellular services. As of March 31, 2013, we had approximately 1.2 million Cable Customer Relationships, which accounted for approximately 2.4 million revenue generating units ("RGUs"), and approximately 758,000 cellular RGUs.

We believe that our cable network is among the most technologically advanced in the Middle East region. Our fully-owned cable network includes extensive fiber and is therefore generally accepted as faster, with greater data capacity and able to offer better quality than copper-based digital subscriber line ("DSL") networks. Our entire cable network is U.S. Docsis 3.0-enabled allowing us to offer subscribers download speeds which we believe are higher than those achieved at similar pricing by our largest DSL competitor on a large scale. This enables our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection)) to the Internet at the same time and receive interactive services like video-on-demand ("VOD") and personal video recording ("PVR"), as well as high-definition television ("HDTV"). We own an extensive iDEN cellular network with nationwide coverage and we are building an expanding UMTS network, offering, what we believe to be, the most advanced 3G services available in Israel, covering approximately 46% of the inhabited territory of Israel as of March 31, 2013. We have entered into a national roaming agreement with a cellular provider with UMTS coverage in the areas of Israel that are currently outside of our UMTS network coverage area.

We provide the following products and services to our customers:

- *Multiple-play.* As of March 31, 2013, approximately 36% of all Cable Customer Relationships, subscribed to our triple-play services, consisting of the television, high-speed broadband Internet infrastructure access and fixed-telephony services described below, while approximately 24% of all Cable Customer Relationships, subscribed to our triple-play services as of December 31, 2010.

- *Pay television.* Our television offering includes over 160 digital television channels, including up to 21 HDTV channels, and several premium digital services and personal video recording (PVR) functionality. We offer customers in our network area the opportunity to subscribe to packages of channels focusing on sports, popular series, documentaries, and content for children, content in Arabic and in Russian to address demand from the culturally diverse population of Israel, content for adults and other content. As of March 31, 2013, we provided VOD services to approximately 56% of our pay television RGUs. As of March 31, 2013, we had approximately 898,000 pay television RGUs (comprising 883,000 digital television RGUs and 15,000 analog television RGUs), compared to approximately 891,000 pay television RGUs (comprising 783,000 digital television RGUs and 108,000 analog television RGUs) as of December 31, 2010. Our pay television, including digital and analog, ARPU was NIS 209 for the three months ended March 31, 2013.

- *Telecom.* Our current telecom portfolio consists of high-speed broadband Internet infrastructure access and fixed-line telephony services. As of March 31, 2013, we had approximately 774,000 broadband Internet infrastructure access RGUs compared to approximately 752,000 broadband Internet infrastructure access RGUs as of December 31, 2010. Our broadband Internet infrastructure access ARPU was approximately NIS 66 for the three months ended March 31, 2013. As of March 31, 2013, we had approximately 684,000 fixed-line telephony RGUs compared to approximately 610,000 as of December 31, 2010. Our fixed-line telephony services ARPU was approximately NIS 49 for the three months ended March 31, 2013.

- *Cellular.* Our cellular services are provided through HOT Mobile, which we acquired on November 28, 2011, and provide customers with various packages which may include unlimited national calls, texts and/or Internet usage. As of March 31, 2013, our iDEN business had approximately 276,000 cellular RGUs and our UMTS business had approximately 482,000 cellular RGUs.

- *Other.* Our current ISP services, which we launched in the first half of 2012, are provided under the "HOTnet" brand.

We added a total of approximately 64,000 cable RGUs, net, during the year ended December 31, 2010. During the three months ended March 31, 2013, we added a total of approximately 13,000 total cable RGUs, net. The RGU growth since 2010 is primarily attributable to growth in our triple-play bundle subscriptions resulting in the growth in our fixed-line telephony services, which added approximately 48,000 RGUs, net in the year ended December 31, 2010 and approximately 8,000 RGUs, net in the three months ended March 31, 2013.

Key Factors Affecting Our Businesses

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and its results of operations include, among others, network upgrades, competition, macro economic and political risks in the areas where we operate, our cost structure, churn and the introduction of new products and services, including new digital television pay services, higher broadband Internet infrastructure access speeds and the roll-out of our UMTS network. For further discussion of the factors affecting our results of operations, see "*Risk Factors*".

Network Upgrades

Our ability to provide new HDTV and VOD television services, broadband Internet network infrastructure access at ever higher speeds and fixed-line telephony services to additional subscribers depends in part on our ability to upgrade our cable network. During each of 2010, 2011 and 2012, we deployed fiber on a substantial part of our cable network and upgraded it to U.S. Docsis 3.0 technology which allows us to offer our customers high broadband Internet access speeds, and better HDTV services. Although not required to do so, in certain areas we have begun and in other areas are considering deploying additional fiber in the form of FTTx in the coming years based on customer needs and speed requirements. For a description of the technical characteristics of our cable network, please see "*Description of HOT's Business—Network—Cable Network*".

In May 2012, we launched our UMTS network, which allows us to offer 3G cellular services to our customers under the "HOT Mobile" brand. Under the terms of our license, among other things, we have committed to provide UMTS network coverage to 90% of the Israeli population and inhabited territory by 2018. As of March 31, 2013, our network coverage extended to approximately 46% of the population of Israel. For the three months ended March 31, 2013 and the year ended December 31, 2012 we invested NIS 55 million and NIS 415 million, respectively, in accrued capital expenditures for HOT Mobile, of which most related to the build out of our UMTS network. We expect to continue developing our UMTS network over the next several years and are required to meet certain milestones pursuant to our cellular license. Based on our current network deployment plans, we expect to spend approximately between NIS 1.0 billion and NIS 1.5 billion in total capital expenditures related to the building out of our UMTS network to achieve the network coverage requirements under our cellular license. For a description of the technical characteristics of our cellular network, please see "*Description of HOT's Business—Network—Cellular Network*".

We make expansion-related capital expenditure decisions by applying strict investment return and payback criteria. For the year ended December 31, 2012, we incurred accrued capital expenditure of NIS 1,384 million, compared to NIS 619 million and NIS 713 million during the years ended December 31, 2011 and 2010, respectively. Of our capital expenditures in 2012, approximately 25% related to modems and converters, 30% related to our cable network and centers, 30% related to HOT Mobile capital expenditures, and 15% related to other capital expenditures. Please see "*—Capital Expenditures*".

Competition

Although we continued to increase our total cable RGUs in 2012 and in the first three months of 2013 by increasing the penetration of our advanced services, we are experiencing significant competition. Key competitors of our business include (i) YES's DTH programming that competes primarily with our basic and premium television products; (ii) Bezeq's broadband Internet infrastructure access services that compete with our broadband Internet infrastructure access, (iii) Bezeq and VOB operators that compete with our fixed-line telephony offerings; and (iv) Partner, Pelephone (Bezeq's subsidiary) and Cellcom, which, collectively, have a majority of the market share, and Golan Telecom which launched in May 2012, compete primarily with our cellular telephony products. In general, our ability to increase or maintain the fees we receive for our services is limited by competitive and regulatory factors. In recent years, the Israeli Ministry of Communications has taken certain measures to increase the competition in the telecommunications industries, including the establishment of a DTT platform with the possibility of expanding the number of channels broadcasted over such platform, eliminating exit fees for subscribers, except in limited circumstances and prohibiting the linkage of the price and terms of a handset to cellular services or benefits. The Israeli Ministry of Communications has also published a policy for the creating a wholesale market requiring network infrastructure owners to provide third parties access to their network for broadband Internet infrastructure access, which in addition to creating competition for broadband Internet infrastructure access products, could also provide Bezeq and us with relief from certain regulatory restrictions, such as the requirement to maintain structural separation among certain of our business segments. See "*Regulatory—Structural Separation*". The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects.

Macro Economic and Political Risks

Our operations are subject to macro economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S., certain European countries and countries in the Middle East, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our Company. Moreover, as a business in Israel we are subject to the inherent risks associated with the political and military conditions in Israel and the potential for armed conflicts with Israel's neighbors. Further, while the majority of our revenues are in NIS, a portion of our operational expenses and investments are in U.S. dollars. The exchange rate between U.S. dollars and NIS has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency rate risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations.

Churn

The cable television, broadband Internet infrastructure access, fixed-line telephony and cellular telephony industries typically exhibit churn as a result of high levels of competition. We calculate churn by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription by us) by the average number of RGUs for such service, excluding transfers between our services (other than a transfer between our cable services and cellular services), during such period. Churn levels may be affected by changes in our or our competitors' pricing, our level of customer satisfaction, disconnection of non-paying subscribers and changes in regulations. Increases in churn may lead to increased costs and reduced revenues. Our nationwide presence across most Israeli homes allows us to minimize the impact of our customers moving homes as there is a high likelihood that such customer will move into a homes passed by our cable network or that could be connected to our cable network without materially extending our cable network plan, although we could in some instances incur some capital expenditures related to installation and connection.

Our churn rates increased in our cellular sector in recent years as subscribers left our iDEN-based network for the more advanced networks of our competitors and regulatory actions of the Israeli Ministry of Communications increased competition by prohibiting exit fees, except in limited circumstances, long-term commitments and, as of January 2013, the linkage of the price and terms of handsets to the cellular service prices and benefits. Our churn rates increased in our cellular sector in 2012 as our contract with the Israeli Defense Force terminated in the last quarter of 2012, but were partially offset by certain of our iDEN subscribers switching to the 3G technologies offered by HOT Mobile as opposed to our competitors. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. With the launch of our UMTS network in 2012, we expect that our total cellular segment churn rate will increase from historical levels as 3G cellular services generally have a higher churn rate than iDEN cellular services.

Introduction of New Products and Services

We have significantly expanded our presence and product and service offerings in the past and have been a leader in bringing cable-based services to the Israeli market. We launched digital cable television in 2001, high-speed broadband Internet infrastructure access in 2003 and cable-based fixed-telephony services in 2005.

In 2005, we began offering our bundled triple-play service, combining pay television services with broadband Internet infrastructure access and fixed-line telephony services. Subscribers who elect to subscribe for our triple-play bundle realize cost savings on their monthly bill as compared to purchasing each of the services individually. We have continued to enhance our product and service offerings, being the first company to introduce VOD services in Israel in 2005, launching a 100 Mbps broadband Internet infrastructure access service in 2010 and launching our HD and PVR set-top box, HOT Magic, in 2011. In addition, we regularly review our channel offerings to provide our subscribers with a flexible and diverse range of programming options, including high quality local content. As of March 31, 2013 we offered over 160 television channels, including up to 21 HD television channels and over 25 channels with "start-over" service.

As a result of our focus on providing our subscribers with attractive service options and bundle packages, we have experienced significant growth in our cable-based services ARPU since 2010, while maintaining a relatively stable number of total Cable Customer Relationships, with approximately 1.3 million as of December 31, 2010, approximately 1.2 million as of December 31, 2011 and approximately 1.2 million as of December 31, 2012. Our cable- based services ARPU increased from NIS 202 for the year ended December 31, 2010 to NIS 211 for the year ended December 31, 2011 and NIS 220 for the year ended December 31, 2012 and was NIS 223 for the three months ended March 31, 2013. We have experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service, with the number of triple-play subscribers as a percentage of our Cable Customer Relationships increasing from 24% as of December 31, 2010 to 28% as of December 31, 2011 and to 34% as of December 31, 2012 to 36% as of March 31, 2013. As a result, the number of RGUs per Cable Customer Relationship has increased from 1.76 services as of December 31, 2010 to 1.84 services as of December 31, 2011, to 1.96 services as of December 31, 2012 and to 1.98 services as of March 31, 2013, which has had a direct positive effect on our revenue.

Cost Structure

Certain of our cost elements, including a large portion of our cable network operations, customer care, billing and administrative expenses are relatively fixed, while our sales and marketing costs, content-related costs, fixed-telephony interconnection fees and cellular roaming costs, among others, are relatively variable. We have recently incurred significant costs related to the building out and launching of our UMTS network, and as we expand our cellular network we expect to be able to reduce our national roaming costs.

We have worked to limit our fixed costs by implementing initiatives to improve our cost structure, including outsourcing certain service obligations to third-party subcontractors, utilizing temporary and fixed-term employees and reducing headcount. As a result of these initiatives, we have generally been able to preserve margins during recent economic downturns. In 2012, 65% of our operating expenses were comprised of fixed costs (principally wages of permanent employees), with variable and partly variable costs constituting 35% of our operating expenses (including sales and marketing expenses and content and programming expenses).

We have taken certain additional actions to optimize our cost structure in 2013, including the implementation of a voluntary scheme for technicians enabled by an increase in the quality of the network as a result of the investments made in this respect. We have been able to reduce headcount at our call centers which has been enabled by the improvement in our system and infrastructures.

Key Operating Measures

We use several key operating measures, including number of homes connected, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies. As ARPU varies considerably for our different services, RGU growth is not necessarily indicative of the overall development of our business and results of operations.

	As of and for the year ended December 31,			As of and for the three months ended March 31,
	2010	**2011**	**2012**	**2013**
	in thousands except percentages and as otherwise indicated			
HOT Summary Statistical and Operating Data				
Total Israeli Homes	2,166	2,204	2,243	2,252
Customer Relationships				
Cable Customer Relationships[1]	1,282	1,245	1,198	1,188
Cable Revenue Generating Units (RGUs)[2]				
Digital Television RGUs	783	840	878	883
Analog Television RGUs	108	51	18	15

Total Television RGUs	891	891	896	898
Broadband Internet Infrastructure Access RGUs	752	768	771	774
Fixed-Line Telephony RGUs	610	635	676	684
Total Cable RGUs	2,253	2,294	2,343	2,356
RGUs per Cable Customer Relationship (in units)	1.76x	1.84x	1.96x	1.98x
Cellular Revenue Generating Units (RGUs)[3]				
UMTS RGUs	—	—	441	482
iDEN RGUs	490	444	325	276
Total Cellular RGUs[3]	490	444	766	758
Cable Services Penetration				
Television RGUs as % of Total Israeli Homes	41%	40%	40%	40%
Broadband Internet Infrastructure Access RGUs as % of Total Israeli Homes	35%	35%	34%	34%
Fixed-Line Telephony RGUs as % of Total Israeli Homes	28%	29%	30%	30%
Cable Customer Bundling[4]				
Single-Play Customer Relationships as % of Cable Customer Relationships	56%	52%	47%	*
Double-Play Customer Relationships as % of Cable Customer Relationships	20%	20%	19%	*
Triple-Play Customer Relationships as % of Cable Customer Relationships	24%	28%	34%	36%
Churn[5]				
Churn in Pay Television RGUs[6]	15.4%	13.2%	15.3%	13.6%
ARPU[7]				
Cable-based services ARPU (in NIS)	202	211	220	223
Pay television ARPU (in NIS)	208	215	212	209
Broadband Internet infrastructure access ARPU (in NIS)	53	57	62	66
Fixed-line telephony ARPU (in NIS)	71	56	52	49
Market Share				
Cellular Market Share[8]	—	4%	8%	8%

* Not reported on a quarterly basis.

[1] Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable-based services (including pay television, broadband Internet infrastructure access or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our cellular or ISP services.

[2] RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

[3] Cellular RGUs is equal to the net number of lines or SIM cards that have been activated on our cellular network.

[4] Cable customer bundling for our stand-alone, double-play and triple-play services is presented as a percentage of Cable Customer Relationships. Our double play package customers include customers who have purchased a combination of two services out of our pay television, broadband Internet infrastructure access and fixed-line telephony services. Our triple-play package comprises pay television, broadband Internet infrastructure access and fixed-line telephony services.

[5] Churn is calculated by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription by us) by the average number of RGUs for such service, excluding transfers between our services (other than a transfer between our cable services and cellular services), during such period. For example, an analog television customer who migrates to our digital television services or a customer who migrates from our double-play to triple-play services or vice-versa will not increase churn.

[6] For the three months ended March 31, 2013, the churn shown is the annualized churn, calculated by multiplying the churn for the three months ended March 31, 2013 by four.

[7] ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the bundling discount, and after certain deductions) for the respective period by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two.

[8] Our cellular market share is based on our estimate of the total cellular lines in Israel, which is based on the number of lines reported by other cellular operators in Israel. This market share calculation is not indicative of nor does it correlate to the market share calculation required under our cellular license. In relation to the addition of frequencies to our cellular license enabling us to provide UMTS based 3G services, we were required to pay a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. The remaining amount equal to NIS 695 million is payable in 2016 subject to certain deductions based on market share gained by HOT Mobile (based on the higher of the market share as measured in September 2013 and September 2016). See "*Description of HOT's Business—Material Contracts—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

Subscribers and RGUs

Cable-based services

Cable Customer Relationships represent the number of individual end users who have subscribed for one or more of our cable-based services (including pay television, broadband Internet infrastructure access and fixed-line telephony). RGUs (revenue generating units) relate to sources of revenue, which may not always be the same as Cable Customer Relationship numbers. For example, one person may subscribe for two different services, thereby accounting for only one Cable Customer Relationship, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per service basis. RGUs for fixed-line telephony services are counted on a per line basis.

As of December 31, 2012, we had approximately 1.2 million Cable Customer Relationships, which represented a decrease of approximately 47,000 Cable Customer Relationships compared to December 31, 2011 and 84,000 Cable Customer Relationships compared to December 31, 2010. As of March 31, 2013, our Cable Customer Relationship decreased by approximately 10,000 Cable Customer Relationships compared to December 31, 2012. The decrease in our Cable Customer Relationships was primarily due to increased competition for our product offerings and our focus on multi-play products, such as triple-play, and partially offset by an increase in Israeli homes passed. The number of Cable Customer Relationships as a percentage of total Israeli homes decreased from approximately 59% as of December 31, 2010 to approximately 56% as of December 31, 2011 and approximately 53% as of December 31, 2012 and as of March 31, 2013.

We have experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our attractive bundling strategy, with the number of triple-play subscribers, as a percentage of our Cable Customer Relationships increasing from 24% as of December 31, 2010 to 28% as of December 31, 2011 and 34% as of December 31, 2012 to 36% as of March 31, 2013.

As a result, we experienced an increase in the number of RGUs per Cable Customer Relationship, with the average number of RGUs per Cable Customer Relationship increasing from 1.76 services as of December 31, 2010 to 1.84 services as of December 31, 2011, to 1.96 services as of December 31, 2012 and to 1.98 services as of March 31, 2013.

As of December 31, 2012, we had approximately 896,000 pay television RGUs, compared to approximately 891,000 pay television RGUs as of December 31, 2011 and December 31, 2010, representing a CAGR of approximately 0.3% since 2010. As of March 31, 2013, the number of pay television RGUs increased to approximately 898,000, an increase of 0.2% as compared to December 31, 2012. The increase in pay television RGUs was primarily due to our efforts to increase the attractiveness of our television channel offering, including an overall increase in HD content, VOD and PVR services and our continued marketing of our triple-play bundles. Further, we experienced an increase of our digital television RGUs by approximately 6,000 RGUs (net) for the three months ended March 31, 2013 and approximately 38,000 digital RGUs (net) for the year ended December 31, 2012. As of March 31, 2013, we had approximately 15,000 analog television RGUs compared to 108,000 analog television RGUs as of December 31, 2010. We are in the process of phasing out our analog services, which we plan to complete during 2013.

As of December 31, 2012, we had approximately 771,000 broadband Internet infrastructure access RGUs, compared to approximately 768,000 broadband Internet infrastructure access RGUs as of December 31, 2011 and 752,000 broadband Internet infrastructure access RGUs as of December 31, 2010, representing a CAGR of approximately 1.3% since 2010. As of March 31, 2013, the number of broadband Internet infrastructure access RGUs increased further to approximately 774,000. The increase in broadband Internet infrastructure access RGUs was primarily due to the growth in the number of subscriptions to broadband Internet infrastructure access overall in Israel and our ability to offer our subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL and mobile broadband networks, which has allowed us to expand our market share in Israel. The increase was also impacted by the increase in take-up of our triple-play bundles, mainly the triple-play bundle offering a download speed of 100 Mbps, which we started to offer in March 2013.

As of December 31, 2012, we had approximately 676,000 fixed-line telephony RGUs, compared to approximately 635,000 fixed-line telephony RGUs as of December 31, 2011 and 610,000 fixed-line telephony RGUs as of December 31, 2010, representing a CAGR of approximately 5.3%. As of March 31, 2013, the number of fixed-line telephony RGUs was approximately 684,000. The increase in fixed-line telephony RGUs was primarily due to the increase in take-up of our multiple-play service bundles, in particular fixed-line telephony bundled with broadband Internet infrastructure access (double-play) and fixed-line telephony bundled with broadband Internet infrastructure access and pay television (triple-play).

Cellular Services

Cellular RGUs is equal to the net number of lines or SIM cards that have been activated on our cellular network. As of December 31, 2012 we had approximately 766,000 cellular RGUs compared to 444,000 cellular RGUs as of December 31, 2011 and 490,000 cellular RGUs as of December 31, 2010. The increase in cellular RGUs in 2012 was primarily due to the launch of our 3G network in May 2012 and was partially offset by subscribers disconnecting from our existing iDEN cellular network. As of March 31, 2013, we had approximately 758,000 cellular RGUs (comprising 482,000 RGUs for our UMTS service and 276,000 RGUs for our iDEN service). The decrease in cellular RGUs was primarily due to an increased number of subscribers disconnecting from our existing iDEN cellular network and was partially offset by the growth of our UMTS based 3G service.

ARPU

ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two.

Cable-based services ARPU increased from NIS 202 for the year ended December 31, 2010 to NIS 211 for the year ended December 31, 2011 and was NIS 220 for the year ended December 31, 2012. For the three months ended March 31, 2013 our cable-based service ARPU increased by NIS 6, or 2.8%, to NIS 223 from NIS 217 in the three months ended March 31, 2012. The increase in the cable-based services ARPU is explained by higher number of RGUs per Cable Customer Relationship.

Pay television ARPU increased by NIS 7, or 3.4%, from NIS 208 for the year ended December 31, 2010 to NIS 215 in the year ended December 31, 2011 and decreased by NIS 3, or 1.4%, to NIS 212 in the year ended December 31, 2012. Pay television ARPU decreased by NIS 7, or 3.2%, from NIS 216 in the three months ended March 31, 2012 to NIS 209 for the three months ended March 31, 2013. The increases between 2010 and 2011 were primarily the result of an increase in take-up of our HOT Mega and HOT More pay television packages due to our continued enhancement of the attractiveness of our service offerings by expanding the range of local content available, including high-definition content, and by enhancing the ability of our subscribers to watch television when they choose through the launch and expansion of VOD and "start-over" services, and offset by discounts applicable pursuant to our bundling strategies. Our ARPU in the year ended December 30, 2012 and in the three months ended March 31, 2013 decreased compared to the ARPU for the corresponding prior year periods as a result of an increase in triple-play subscribers and subscribers taking higher capacity broadband Internet infrastructure access services as part of their bundle resulting in a decrease in pay television ARPU pursuant to discounts applicable due to our bundling strategies. In addition, the decrease in revenue from our VOD services as a result of the postponement of the availability of certain new content and the increase in free VOD content also impacted ARPU in the three months ended March 31, 2013.

Broadband Internet infrastructure access ARPU increased by NIS 4, or 7.5%, from NIS 53 in the year ended December 31, 2010 to NIS 57 in the year ended December 31, 2011 and by NIS 5, or 8.8%, to NIS 62 in the year ended December 31, 2012. Broadband Internet infrastructure access ARPU increased by NIS 7, or 11.9%, from NIS 59 in the three months ended March 31, 2012 to NIS 66 in the three months ended March 31, 2013. The increase in broadband Internet infrastructure access ARPU since 2010 was primarily the result of the introduction of, and an increase in take-up of, our higher value higher speed services (including 100 Mbps services which we introduced in 2010) and partially offset by discounts applicable pursuant to our bundling strategies.

Fixed-line telephony ARPU decreased by NIS 15, or 21.1%, from NIS 71 in the year ended December 31, 2010 to NIS 56 in the year ended December 31, 2011 and by NIS 4, or 7.1%, to NIS 52 in the year ended December 31, 2012. Fixed-line telephony ARPU decreased by NIS 5, or 9.3%, from NIS 54 in the three months ended March 31, 2012 to NIS 49 in the three months ended March 31, 2013. The decrease was the result of decreased interconnect fees (in the period between 2010 and 2012) and call volumes, as subscribers reduced the number of calls placed over landlines, (as a result of strong competition from the cellular segment), which we believe is consistent with general industry-wide trends, increased demand for our bundled service offers resulting in discounts applicable pursuant to our bundling strategies and the reduction in revenue as a result of the increased take-up of our unlimited fixed-line telephony offerings.

We intend to continue focusing on increasing ARPU by increasing RGUs per Cable Customer Relationship, promoting the migration of analog cable television subscribers to our digital services and launching other revenue and service enhancing measures.

Key Income Statement Items

Below is a summary description of the key elements of the line items of our income statement under IFRS.

Revenue

Revenue consists of income generated from the delivery of services to our residential and business subscribers. Revenue is recognized when it is likely that future economic benefits will flow to the Company and these benefits can be reliably measured. Revenue only includes gross inflows of economic benefits received or receivable by the Company. Revenue is recognized at the fair value of the consideration received or receivable, less rebates given. We record revenue generated from the following services:

- *Telecom:* Revenues from broadband Internet infrastructure access services and fixed-line telephony are invoiced monthly after services are delivered to subscribers, although a small portion is invoiced monthly in advance of delivery of services. Revenue also includes interconnection revenue received for calls that terminate on our cable network. Revenues from broadband Internet infrastructure access and fixed-line telephony services are recognized as the service is utilized.

- *Cable television:* Revenues from pay television, pay-per-view and VOD services are invoiced monthly after services are delivered to subscribers and are recognized as the service is utilized. Revenues from other pay television services are invoiced monthly after services are delivered to subscriber and are recognized as the service is utilized.

- *Cellular:* Revenues from cellular telephony services are invoiced monthly after services are delivered to subscribers. Revenue from sales of handsets is recognized on the date of transfer of ownership. Revenue includes interconnection revenue received for calls terminated on our network. Revenues from cellular telephony services are recognized as the service is utilized.

- *Other:* Revenues from our ISP services are invoiced monthly after services are delivered and recognized as the service is utilized.

- *Adjustment.* Elimination of inter-company transactions is an adjustment to the consolidated revenues. Adjustments reflects mainly revenues that were received by HOT Telecom from HOT in respect of rental of the cable network which is owned by HOT Telecom, which is reported in the revenue line item for Telecom and is required to be eliminated in consolidation.

Depreciation and Amortization

Depreciation and amortization includes depreciation of fixed assets related to production, sales and administrative functions and amortization of intangible assets.

Operating Expenses

Operating expenses includes salary and associated payments for operations, royalties and other payments to the Israeli government, content and programming costs, expenses inherent in call completion, subscriber, infrastructure and network maintenance, office rent and maintenance, and other operating expenses.

Sales and Marketing Expenses

Sales and marketing expenses relate to salary and associated payments for sales and marketing personnel, advertising and sale promotion, office rent and maintenance, commission's for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Administrative and General Expenses

Administrative and general expenses relate to salary and associated payments related to administrative personnel, office rent and maintenance, professional and legal advice, expenses for doubtful and lost debts, recruitment and placement, welfare and other administrative expenses.

Other Expenses (Income), Net and Network Setup Expenses

Other expenses (income), net and network setup expenses includes expenses related to setting up of HOT Mobile's cellular network that are not capitalized, changes in liability to the Israeli Government and others, changes in provisions for claims, transaction costs for the purchase of HOT Mobile, dividends received and other expenses.

Financing Income

Financing income consists of changes in the net fair value of the financial derivatives, returns of financing fees, net exchange rate differences, and other financing income.

Financing Expenses

Financing expenses includes financing expenses for short-term credit facilities, changes in the net fair value of the financial derivatives, financing expenses for banking and credit card companies' commissions, financing expenses for long-term loans, financing expenses for bonds, net exchange rate differences and other financing expenses.

Taxes on Income

Taxes on income comprise current tax and deferred tax. Taxes on income are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity. The corporate tax rate in Israel in 2010, 2011 and 2012 was 25%, 24% and 25%, respectively. The corporate tax rate in 2013 is 25%.

Loss on Available for Sale Financial Asset

Loss on available for sale financial assets include losses on tradable financial instruments (including equity shares of a third party) on the Tel Aviv Stock Exchange that are available for sale. The loss is calculated at fair value (after deduction of discount for the quote price per share due to limitations of the held shares) of the asset through profit or loss in respect of which we are exposed to risk in respect of fluctuations in the price of the security based on market prices.

Discussion and Analysis of Our Consolidated Operating Results

Three Months Ended March 31, 2013 compared to the Three Months Ended March 31, 2012

This section provides an analysis of our results of operations for the three months ended March 31, 2013 and 2012.

The table below sets forth our results of operations and the period on period percentage change for the periods under review:

	For the three months ended March 31,		**Change**	
	2012[1]	**2013**	**Amount**	**%**
HOT Consolidated Statement of Operations Data	**NIS in millions except percentages**			
Revenue				
Telecom	493	507	14	2.8
Cable television	578	562	(16)	(2.8)
Cellular	189	232	43	22.8
Other	1	5	4	400
Adjustments	(234)	(241)	(7)	3.0
Total revenue	**1,027**	**1,065**	**38**	**3.7**
Expenses				
Depreciation and amortization	244	276	32	13.1
Operating expenses[1]	513	566	53	10.3
Sales and marketing expenses	79	62	(17)	(21.5)
General and administrative expenses	37	38	1	2.7
Other expenses, net	7	39	32	457.1
Operating income[1]	**147**	**84**	**(63)**	**(42.9)**
Finance income	10	10	—	—
Finance expenses	(75)	(71)	4	5.3

Income before taxes on income[1]	**82**	**23**	**(59)**	**(72.0)**
Taxes on income (benefit)	22	6	(16)	(72.7)
Net income[1]	**60**	**17**	**(43)**	**(71.9)**
Other comprehensive loss (after tax effect)				
Loss on available for sale financial asset	(5)	—	5	100
Change in actuarial gains and losses[1]	(1)	1	2	200
Total comprehensive income (loss)	**54**	**18**	**(36)**	**(66.7)**

[1] HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

Total Revenue. For the three months ended March 31, 2013, we generated total revenue of NIS 1,065 million, a 3.7% increase compared to NIS 1,027 million for the three months ended March 31, 2012. As compared to the three months ended March 31, 2012, our total revenue for our cable based business (Telecom, Cable and Other) for the three months ended March 31, 2013 remained stable and our cellular revenue increased by approximately 22.8%.

Telecom. Revenue generated by our fixed-line telephony and broadband Internet infrastructure access division increased by 2.8% to NIS 507 million for the three months ended March 31, 2013 as compared to NIS 493 million for the three months ended March 31, 2012. This is primarily a result of an increase in broadband Internet infrastructure access revenues resulting from an increase in broadband Internet infrastructure access RGUs and increased ARPU as a result of the factors mentioned above. Fixed line telephony revenue remained relatively stable as a result of an increase in fixed-line telephony RGUs which was offset by a decrease in fixed-line telephony ARPU as a result of the factors mentioned above. See "*—Key Operating Measures—Subscribers and RGUs*" and "*—Key Operating Measures—ARPU*".

Cable television. Cable television revenue for the three months ended March 31, 2013 decreased by 2.8% to NIS 562 million as compared to NIS 578 million for the three months ended March 31, 2012. This decrease in revenue is a result of an increase in triple-play subscribers and subscribers taking higher capacity broadband Internet infrastructure access services as part of their bundle resulting in a decrease in ARPU for pay television, which was partially offset by an increase in the number of RGUs subscribing to digital pay television. In addition, the postponement of the availability of certain new content and the increase in free VOD content decreased revenues from VOD services by NIS 10 million.

Cellular. Revenue generated by our cellular segment through our subsidiary, HOT Mobile, increased by 22.8% to NIS 232 million for the three months ended March 31, 2013 from NIS 189 million for the three months ended March 31, 2012. While our revenue provided from the sale of cellular handsets remained relatively stable at NIS 44 million for the three months ended March 31, 2013 compared to NIS 41 million for the three months ended March 31, 2012, our cellular services revenue, including subscriptions and interconnection fees received, increased to NIS 188 million for the three months ended March 31, 2013 from NIS 148 million for the three months ended March 31, 2012. This revenue increase is mainly due to the number of new subscribers to our UMTS-based services which was launched in May 2012 and offset by the churn of customers from our iDEN services as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force. Cellular revenues were also impacted by the decrease in ARPU due to strong competition in the market and reduction in subscribers to our iDEN services which have a higher ARPU.

Other. Other revenue was NIS 5 million for the three months ended March 31, 2013 and includes revenue related to our ISP services which we began offering in the first half of 2012. We had revenue of NIS 1 million from ISP services in the three months ended March 31, 2012.

Adjustments. Adjustments increased from NIS 234 million for the three months ended March 31, 2012 to NIS 241 million for the three months ended March 31, 2013. The majority of adjustments relate to payments from HOT to HOT Telecom related to use of the cable network.

Total Expenses. Total expenses amounted to NIS 981 million for the three months ended March 31, 2013, an increase of 11.5% compared to NIS 880 million for the three months ended March 31, 2012.

Depreciation and amortization. Depreciation and amortization totaled NIS 276 million for the three months ended March 31, 2013, an increase of 13.1% compared to NIS 244 million for the three months ended March 31, 2012. This was a result of increases in depreciation of hardware and commissions related to our cable based services and depreciation of our cellular network and was offset by decrease in depreciation of our handsets.

Operating expenses. Operating expenses continued to represent the majority of our total expenses. Our operating expenses increased for the three months ended March 31, 2013 to NIS 566 million from NIS 513 million for the three months ended March 31, 2012 (an increase of 10.3% period-on-period). Operating expenses increased as a result of increased operating expenses relating to our cellular business due to the launch of our UMTS cellular telephony network, including increased interconnection fees of NIS 85 million related to our national roaming costs and an increase in the cost of handsets by NIS 9 million. This increase was partially offset by a decrease in certain operating expenses relating to our cable-based business, including a decrease in salaries and social benefits resulting from the measures taken to increase the efficiency of our costs structure (including a reduction in the number of employees) enabled by an increase in the quality of the network as a result of recent investments made and the improvement of the customers service systems, a decrease in the royalties paid to the State of Israel by NIS 11 million following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013 and a decrease in cable network maintenance and set-top box maintenance expenses by NIS 9 million due to the recent investments made towards improvement of the network and a more efficient maintenance process for set-top boxes.

Sales and marketing expenses. Sales and marketing expenses decreased by 21.5% from NIS 79 million for the three months ended March 31, 2012 to NIS 62 million for the three months ended March 31, 2013. Compared to the prior year period, our sales and marketing expenses decreased as a result of decreased sales commissions, advertising costs and sales promotion and decrease in salaries and social benefits of sales personnel resulting from the measures taken to increase the efficiency of our costs structure as compared to the prior year period.

Administrative and general expenses. Administrative and general expenses increased by NIS 1 million from NIS 37 million for the three months ended March 31, 2012 to NIS 38 million for the three months ended March 31, 2013.

Other expenses (income), net. Other expenses (income), net, and network set up expenses increased to an expense of NIS 39 million for the three months ended March 31, 2013 as compared to an expense of NIS 7 million for the three months ended March 31, 2012. Other expenses for the three months ended March 31, 2013 included a provision that was recognized as a result of the decision to vacate the office building previously occupied by HOT Mobile under a leasehold arrangement extending until 2019.

Financing income and expenses. Net financing expenses were NIS 61 million for the three months ended March 31, 2013 compared to NIS 65 million for the three months ended March 31, 2012 due to the factors described below.

Financing Income. Financing income remained unchanged at NIS 10 million for the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

Financing expenses. Our financing expenses for the three months ended March 31, 2013 totaled NIS 71 million, down from NIS 75 million for the three months ended March 31, 2012.

Taxes on income. For the three months ended March 31, 2013 we recorded an income tax expense of NIS 6 million compared to an income tax expense of NIS 22 million for the three months ended March 31, 2012. The decrease in income tax expense was a result of a decrease in net income and the updating of deferred tax assets in respect of timing differences. Our effective tax rate for the three months ended March 31, 2013 was 26% as compared to an effective tax rate of 27% for the three months ended March 31, 2012.

Net income. We recorded a net income of NIS 17 million for the three months ended March 31, 2013. For the three months ended March 31, 2012, we reported a net income of NIS 60 million. The underlying decrease in net income primarily reflects the factors described above.

EBITDA. We generated total EBITDA of NIS 399 million for the three months ended March 31, 2013 compared to NIS 403 million for the three months ended March 31, 2012 representing a decrease of 1.0% due to the factors described below. The following table presents a reconciliation of EBITDA to total net income for the period.

	For the three months ended March 31,	
	2012[2]	2013
	NIS in millions	
EBITDA[1]	403	399
(Taxes on income) benefit	(22)	(6)
Financing expenses, net	(65)	(61)
Options	(5)	—
Other (expenses) income, net and network set up expenses	(7)	(39)

Depreciation and amortization	(244)	(276)
Total net income	**60**	**17**

(1) EBITDA represents profit before net financing income, taxes on income, depreciation and amortization, and before expenses in respect of options and before expenses (income) derived from other expenses (income), net and network set up expenses. EBITDA is an additional measure used by management to demonstrate our underlying performance and should not replace the measures in accordance with IFRS as an indicator of our performance, but rather should be used in conjunction with the most directly comparable IFRS measure. In particular, you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS), (b) cash flows from operating, investing and financing activities or (c) any other measures of performance under generally accepted accounting principles.

(2) HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

Cable-based services EBITDA (Telecom, Cable and ISP) was NIS 425 million for the three months ended March 31, 2013 compared to NIS 364 million for the three months ended March 31, 2012, representing an increase of 16.8% primarily due to impact of measures taken to increase the efficiency of our costs structure. Our cellular business generated negative EBITDA of NIS 26 million for the three months ended March 31, 2013 compared to a positive EBITDA of NIS 39 million for the three months ended March 31, 2012 primarily due to increased interconnection and cellular roaming costs relating to our UMTS-based service partially offset by the increase in the cellular revenues. Cable-based services EBITDA and EBITDA generated by our cellular business have been calculated before elimination of intercompany transactions.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

This section provides an analysis of our results of operations for the year ended December 31, 2012 and 2011. As further described in the "Unaudited Pro Forma Financial and Operating Data of HOT", the operating results of HOT Mobile are not included in our historical consolidated condensed financial statements prior to November 28, 2011. In order to provide meaningful comparisons, for the purposes of the following discussion and analysis of our results of operations for the year ended December 31, 2012 compared to our results of operations for the year ended December 31, 2011, our results of operations for the year ended December 31, 2011 are based on pro forma statements of operations and statistical data that give effect to the acquisition of HOT Mobile as if such transaction had been completed on January 1, 2011. As a result, the pro forma statements of operations for the year ended December 31, 2011 presented below include the operating results of HOT Mobile. For more information regarding our pro forma financial statements, see "*Unaudited Pro Forma Financial and Operating Data of HOT*".

The table below sets forth our results of operations and the period on period percentage change for the periods under review:

	For the year ended December 31,		**Change**	
	2011 (pro forma)[1]	**2012 (actual)**[1]	**Amount**	**%**
	NIS in millions except percentages			
Revenue				
Telecom	2,004	2,008	4	0.2
Cable television	2,309	2,275	(24)	(1)
Cellular	899	855	(44)	(4.9)
Other	—	11	11	*
Adjustments	(1,009)	(957)	52	5.2
Total revenue	**4,203**	**4,192**	**(11)**	**(0.3)**
Expenses				
Depreciation and amortization	1,050	1,094	44	4.2
Operating expenses	2,077	2,261	184	8.9
Sales and marketing expenses	326	300	(26)	(8.0)
Administrative and general expenses	204	163	(41)	(20.1)
Other expenses (income), net and network set up costs	(87)	(23)	64	73.6
Operating income	**633**	**397**	**(236)**	**(37.3)**
Financing income	43	18	(25)	(58.1)
Financing expenses	(287)	(320)	(33)	(11.5)
Income before taxes on income	**389**	**95**	**(294)**	**(75.6)**
Taxes on income (benefit)	104	17	(87)	(83.7)
Net income	**285**	**78**	**(207)**	**(72.6)**

Other comprehensive loss (after tax effect)				
Loss on available for sale financial asset	(36)	(11)	25	69.4
Total comprehensive income (loss)	**249**	**67**	**(182)**	**(73.1)**

* Not meaningful

(1) HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

Total Revenue. For the year ended December 31, 2012, we generated total revenue of NIS 4,192 million, a 0.3% decrease compared to NIS 4,203 million on a pro forma basis for the year ended December 31, 2011. As compared to the year ended December 31, 2011 on a pro forma basis, our total revenue for our cable based business (Telecom, Cable and Other) for the year ended December 31, 2012 increased by approximately 1.3% and our cellular revenue decreased by approximately 4.9%.

Telecom. Revenue generated by our fixed-line telephony and broadband Internet infrastructure access division increased slightly to NIS 2,008 million for the year ended December 31, 2012 as compared to NIS 2,004 million for the year ended December 31, 2011 on a pro forma basis. This is primarily a result of an increase in fixed-line telephony and broadband Internet infrastructure access RGUs due to bundling strategies and increased download speeds, but offset by the decrease in ARPU in fixed-line telephony as a result of increased take-up of our unlimited package and discounted prices in connection with our bundled offerings.

Cable television. Cable television revenue for the year ended December 31, 2012 amounted to NIS 2,275 million as compared to NIS 2,309 million for the year ended December 31, 2011 on a pro forma basis. This decrease in revenue is a result of an increase in triple-play subscribers and subscribers taking higher capacity broadband Internet infrastructure access services as part of their bundle resulting in a decrease in ARPU for pay television and offset by an increase in the number of RGUs subscribing to pay television.

Cellular. Revenue generated by our cellular segment through our subsidiary, HOT Mobile, decreased to NIS 855 million for the year ended December 31, 2012 from NIS 899 million on a pro forma basis for the year ended December 31, 2011. While our revenue provided from the sale of cellular handsets remained relatively stable at NIS 172 million for the year ended December 31, 2012 compared to NIS 177 million on a pro forma basis for the year ended December 31, 2011, our cellular services revenue, including subscriptions and interconnection fees received, decreased to NIS 683 million for the year ended December 31, 2012 from NIS 722 million on a pro forma basis for the year ended December 31, 2011. This revenue decrease is mainly due to the churn of iDEN customers as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force and offset by an increase in total cellular RGUs as a result of new subscribers to our UMTS-based network which launched in May 2012.

Other. Other revenue was NIS 11 million for the year ended December 31, 2012 and includes revenue related to our ISP services which we began offering in the first half of 2012. We had no revenue for ISP services in 2011.

Adjustments. Adjustments decreased from NIS 1,009 million for the year ended December 31, 2011 on a pro forma basis to NIS 957 million for the year ended December 31, 2012. The majority of adjustments relate to payments from HOT to HOT Telecom related to use of the cable network.

Total Expenses. Total expenses amounted to NIS 3,795 million for the year ended December 31, 2012, an increase of 6.3% compared to NIS 3,570 million on a pro forma basis for the year ended December 31, 2011.

Depreciation and amortization. Depreciation and amortization totaled NIS 1,094 million for the year ended December 31, 2012, an increase of 4.2% compared to NIS 1,050 million on a pro forma basis for the year ended December 31, 2011. This was a result of increases in depreciation of hardware and commissions related to our cable based services and depreciation of our iDEN network and was offset by decrease in depreciation of our handsets.

Operating expenses. Operating expenses continued to represent the majority of our total expenses. Our operating expenses increased for the year ended December 31, 2012 to NIS 2,261 million from NIS 2,077 million on a pro forma basis for the year ended December 31, 2011 (an increase of 8.9% period-on-period). Operating expenses increased as a result of the launch of our UMTS cellular telephony network, including increased cost of sales in respect of handsets of NIS 27 million and interconnection fees related to our national roaming costs, maintenance on our iDEN network and ISP services, and the inability to capitalize certain subscriber acquisition costs and were offset by a decrease in salaries and social benefits.

Sales and marketing expenses. Sales and marketing expenses decreased 8.0% from NIS 326 million on a pro forma basis for the year ended December 31, 2011 to NIS 300 million for the year ended December 31, 2012. Compared to the prior year period, our sales and marketing expenses decreased as a result of decreased sales commissions, advertising costs and sales promotion, offset by increased salary expense as a result of the inability to capitalize commissions and salaries of sales personnel as compared to the prior year period.

Administrative and general expenses. Administrative and general expenses decreased 20.1% from NIS 204 million on a pro forma basis for the year ended December 31, 2011 to NIS 163 million for the year ended December 31, 2012 as a result of a decrease in salary and social benefits expenses because of a reduction in head count.

Other expenses (income), net, and network set up expenses. Other expenses (income), net, and network set up expenses decreased to an income of NIS 23 million for the year ended December 31, 2012 as compared to an income of NIS 87 million on a pro forma basis for the year ended December 31, 2011. The other income in 2011 included income recognized as a result of updating of the provision for legal claims in an amount of NIS 110 million, whereas in 2012 other income included income in respect of share-based payment that expired or were cancelled in an amount of NIS 22 million.

Financing income and expenses. Net financing expenses were NIS 302 million for the year ended December 31, 2012 compared to NIS 244 million on a pro forma basis for the year ended December 31, 2011. The increase primarily resulted from a decrease in foreign currency exchange transaction gains and an increase in interest expense primarily as a result of the full year interest impact of unsecured bonds issued in March 2011 and financial expenses in respect of the notes issuance in 2012.

Financing Income. Financing income for the year ended December 31, 2012 totaled NIS 18 million, down compared to NIS 43 million on a pro forma basis for the year ended December 31, 2011. The decrease in financing income was a result of decreased foreign currency exchange transaction gains.

Financing expenses. Our financing expenses for the year ended December 31, 2012 totaled NIS 320 million, up from NIS 287 million on a pro forma basis for the year ended December 31, 2011. The increase in financing expenses was a result of increased interest expense reflecting debt servicing costs on unsecured bonds issued by HOT in March 2011.

Taxes on income. For the year ended December 31, 2012 we recorded an income tax expense of NIS 17 million compared to an income tax expense of NIS 104 million on a pro forma basis for the year ended December 31, 2011. The decrease in income tax expense was a result of a decrease in net income, the updating of deferred tax assets. Our effective tax rate for the year ended December 31, 2012 was 18% as compared to an effective tax rate of 27% for the year ended December 31, 2011.

Net income. We recorded a net income of NIS 78 million for the year ended December 31, 2012. For the year ended December 31, 2011, we reported a net income of NIS 285 million on a pro forma basis. The underlying decrease in net income primarily reflects decreased operating income in the cellular segment and increased net financing expenses which were offset by a decrease in tax expenses.

EBITDA. We generated total EBITDA of NIS 1,477 million for the year ended December 31, 2012 compared to NIS 1,616 million on a pro forma basis for the year ended December 31, 2011 representing a decrease of 8.6%.The following table presents a reconciliation of EBITDA to total net income for the period.

	For the year ended December 31,	
	2011 (pro forma)[2]	2012 (actual)[2]
	NIS in millions	
EBITDA[1]	1,616	1,477
(Taxes on income) benefit	(104)	(17)
Financing expenses, net	(244)	(302)
Options	(18)	(9)
Changes in actuary assumptions	(2)	—
Other income, net and network set up expenses	87	23
Depreciation and amortization	(1,050)	(1,094)
Total net income	**285**	**78**

[1] EBITDA represents profit before net financing income, taxes on income, depreciation and amortization, and before expenses in respect of options and before expenses (income) derived from other expenses (income), net and network set up expenses. EBITDA is an additional measure used by management to demonstrate our underlying performance and should not replace the measures in accordance with IFRS as an indicator of our performance, but rather should be used in conjunction with the most directly comparable IFRS measure. In particular,

you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS), (b) cash flows from operating, investing and financing activities or (c) any other measures of performance under generally accepted accounting principles.

(2) HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

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

This section provides an analysis of our results of operations for the years ended December 31, 2011 and 2010. The operating results of HOT Mobile are not included in our historical consolidated condensed financial statements prior to its acquisition on November 28, 2011. Therefore, the comparability of our financial statements for the year ended December 31, 2011 included in this Offering Memorandum with the corresponding prior year period is subject to the impact of the results of operations of HOT Mobile in our financial statements for the year ended December 31, 2011 for the period between November 28, 2011 and December 31, 2011 as the results of operations of HOT Mobile are not included in the corresponding prior year period.

	For the year ended December 31,		Change	
	2010 (actual)[2]	2011 (actual)[2]	Amount	%
	NIS in millions except percentages			
Revenue				
Telecom	2,010	2,004	(6)	(0.3)
Cable television	2,226	2,299	73	3.3
Cellular	—	66	66	*
Other	—	—	—	—
Adjustments	(982)	(995)	(13)	(1.3)
Total revenue	**3,254**	**3,374**	**120**	**3.7**
Expenses				
Depreciation and amortization[1]	783	844	61	7.8
Operating expenses[1]	1,699	1,621	(78)	(4.8)
Sales and marketing expenses	202	242	40	19.8
Administrative and general expenses	125	130	5	4.0
Other expenses (income), net and network set up costs	154	(103)	(257)	(166.9)
Operating income	**291**	**640**	**349**	**119.9**
Financing income	10	31	21	210
Financing expenses	(201)	(230)	(29)	(14.4)
Income before taxes on income	**100**	**441**	**341**	**341.0**
Taxes on income (benefit)	(6)	100	106	1,766.7
Net income	**106**	**341**	**235**	**221.7**
Other comprehensive loss (after tax effect)				
Loss on available for sale financial asset	(4)	(36)	(32)	(800.0)
Total comprehensive income (loss)	**102**	**305**	**203**	**199.0**

* Not meaningful

[1] In 2012, HOT reclassified certain line items of its financial statements to, it believes, present a fairer and more reliable presentation of its financial results. The reclassification did not have any material impact on its reported results or its financial position. For more information see note 2S to HOT's financial statements for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

[2] HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

Total revenue. For the year ended December 31, 2011, we generated revenue of NIS 3,374 million, a 3.7% increase compared to NIS 3,254 million for the year ended December 31, 2010. Our revenue was impacted by the acquisition of HOT Mobile, which resulted in an increase in revenue of NIS 66 million in the year ended December 31, 2011.

Telecom. Our fixed-line telephony and broadband Internet infrastructure access segment generated revenue NIS 2,004 million for the year ended December 31, 2011, a 0.3% decrease from NIS 2,010 million for the year ended

December 31, 2010. The decrease in revenue is primarily due to lower fixed-line telephony revenue due to lower interconnect fees from January 2011 as a result of regulatory changes and offset by an increase in revenue due to higher ARPU for broadband Internet infrastructure access as a result of increased bandwidth offerings at higher prices.

Cable television. For the year ended December 31, 2011, we generated NIS 2,299 million of cable television revenue, a 3.3% increase as compared to the NIS 2,226 million we generated for the year ended December 31, 2010. This increase was primarily as a result of higher cable television ARPU due to expanded use of paid services, such as VOD, and subscriber transition from analog to digital services.

Cellular. On November 28, 2011, we acquired HOT Mobile. For the period from November 28, 2011 and ending December 31, 2011, our cellular segment generated revenue of NIS 66 million. Prior to November 28, 2011 we did not generate any revenue in our cellular segment.

Adjustments. Adjustments increased from NIS 982 million for the year ended December 31, 2010 to NIS 995 million for the year ended December 31, 2011.

Total expenses. Total expenses totaled NIS 2,734 million for the year ended December 31, 2011, a 7.7% decrease compared to NIS 2,963 million for the year ended December 31, 2010. The acquisition of HOT Mobile resulted in an increase of our total expenses of NIS 72 million.

Depreciation and amortization expenses. Depreciation and amortization expenses were NIS 844 million for the year ended December 31, 2011, an increase of 7.8% compared to NIS 783 million for the year ended December 31, 2010. This increase reflected the impact of accelerated depreciation with respect to upgrades of our network and terminal equipment. The acquisition of HOT Mobile resulted in an increase in depreciation and amortization expenses of NIS 13 million as a result of depreciation of its network sites and amortization of capitalized subscriber acquisition costs.

Operating expenses. Operating expenses totaled NIS 1,621 million for the year ended December 31, 2011, a 4.6% decrease compared to NIS 1,699 million for the year ended December 31, 2010. The decrease in operating expenses was primarily a result of a decrease in call completion expenses in the domestic fixed-line telephony services due to lower interconnect fees as a result of regulatory changes and offset by the acquisition of HOT Mobile, which affected our operating expenses by NIS 41 million.

Sales and marketing expenses. Sales and marketing expenses increased to NIS 242 million for the year ended December 31, 2011 from NIS 202 million for the year ended December 31, 2010, an 19.8% increase, as result of ceasing capitalization of subscriber acquisition costs beginning in August 2011, as a result of cancellation of exit fees charged to customers. The acquisition of HOT Mobile impacted sales and marketing expenses by an increase of NIS 9 million.

Administration and general expenses. Administration and general expenses increased to NIS 130 million for the year ended December 31, 2011 from NIS 125 million for the year ended December 31, 2010, a 4.0% increase, however this increase was only as a result of the NIS 4 million impact from the acquisition of HOT Mobile and other general administrative expenses were unchanged.

Other expenses (income), net, and network set up expenses. Other expenses (income), net, and network set up expenses provided an income of NIS 103 million for the year ended December 31, 2011 as compared to NIS 154 million of expense for the year ended December 31, 2010. This specific cost line predominantly reflects the recognition of revenue with respect to amounts set aside as provision for legal and other claims that was released during the period. The acquisition of HOT Mobile resulted in an expense of NIS 4 million for the year ended December 31, 2011.

Financing expenses. Net financing expenses were NIS 199 million for the year ended December 31, 2011 compared to NIS 191 million for year ended December 31, 2010. This increase in net financing expenses was a result of refinancing of our credit facilities in 2011. Further, the acquisition of HOT Mobile accounted for NIS 2 million of the increase.

Taxes on income. For the year ended December 31, 2011, we recorded an income tax expense of NIS 100 million compared to an income tax benefit of NIS 6 million for the year ended December 31, 2010, reflecting a higher pre-tax income, creation of deferred tax asset with respect to temporary differences and the effect of reduced corporate tax rates on deferred taxes and a reduction in available net operating losses compared to the prior year. In addition, the acquisition of HOT Mobile contributed NIS 34 million of income tax expense in the year ended December 31, 2011. Our effective tax rate for the year ended December 31, 2011 was 23%. In the year ended December 31, 2010 we had a tax benefit as a result of available net operating losses which reduced our net income.

Net income. We recorded a net income of NIS 341 million for the year ended December 31, 2011 as compared to NIS 106 million for the year ended December 31, 2010. This increase was primarily as a result of an increase in other expenses (income), net, and network set up expenses as a result of recognition of revenue with respect to an update of the provision for legal other claims along with recognition of the Company's share of HOT Mobile's loss, including with respect to amortization of excess costs, amount of NIS 42 million.

EBITDA. We generated total EBITDA of NIS 1,401 million for the year ended December 31, 2011 compared to NIS 1,240 million for the year ended December 31, 2010 representing an increase of 13.0%. The following table presents a reconciliation of EBITDA to total net income for the period.

	For the year ended December 31,	
	2010[2]	2011[2]
	NIS in millions	
EBITDA[1]	1,240	1,401
(Taxes on income) benefit	6	(100)
Financing expenses, net	(191)	(199)
Options	(12)	(18)
Changes in actuary assumptions	—	(2)
Other (expenses) income, net and network set up expenses	(154)	103
Depreciation and amortization	(783)	(844)
Total net income	**106**	**341**

[1] EBITDA represents profit before net financing income, taxes on income, depreciation and amortization, and before expenses in respect of options and before expenses (income) derived from other expenses (income), net and network set up expenses. EBITDA is an additional measure used by management to demonstrate our underlying performance and should not replace the measures in accordance with IFRS as an indicator of our performance, but rather should be used in conjunction with the most directly comparable IFRS measure. In particular, you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS), (b) cash flows from operating, investing and financing activities or (c) any other measures of performance under generally accepted accounting principles.

[2] HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

Consolidated Cash Flow Statements

The table below summarizes our consolidated cash flow for the different periods.

	For the year ended December 31,			For the three months ended March 31,	
	2010[2]	2011[2]	2012[2]	2012	2013
	NIS in millions				
Cash and cash equivalents at beginning of period	2	1	16	16	32
Net cash generated by current operations	1,103	1,240	930	287	281
Net cash provided by (used in) investment operations[1]	(551)	(867)	(1,189)	(305)	(129)
Net cash provided by (used in) financing operations[1].	(553)	(358)	275	16	(138)
Cash and cash equivalents at end of period	**1**	**16**	**32**	**14**	**46**

[1] In 2012, HOT reclassified certain line items in its cash flow financial statements comparable figures in order to adjust the current period presentation. For more information see note 2C to HOT's financial statements for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

[2] HOT's financial statements as of and for the three months ended March 31, 2013 implements IAS19 (as amended), which was required to be implemented from January 1, 2013. The financial data as of and for the three months ended March 31, 2012, gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended).The financial data of HOT for the other periods presented do not give effect to IAS19 (as amended). See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum. In March 31, 2013 HOT also reclassified certain items related to cashflow from operating and investing activities. See note 2d to HOT's financial statements for the three months ended March 31, 2013 included elsewhere in this Offering Memorandum.

Three Months Ended March 31, 2013 compared to the Three Months Ended March 31, 2012

Net cash generated by current operations. Net cash generated by current operations decreased by 2.1% to NIS 281 million for the three months ended March 31, 2013 compared to NIS 287 million for the three months ended March 31, 2012. This decrease can be attributed to a NIS 43 million decrease in net income offset by a positive impact of

NIS 27 million from changes to the working capital position and other operating assets and liabilities. The positive impact from changes in the working capital position was mainly driven by a decrease in trade receivables as a result of the discounting of credit card receivables in an amount of NIS 130 million which was partially offset by an increase of trade receivables in an amount of NIS 90 million in line with the growth of the number of subscribers for our UMTS-based cellular service as well as the completion of the transition to invoicing on a post-services basis as opposed to pre-services, which we were required by the Council for Cable and Satellite Broadcasting to complete by the end of 2012 and which resulted in an increase in trade receivables during the three months ended March 31, 2012. In addition working capital increased as a result of a decrease in trade payables due to decrease in fixed asset investments compared to the three months ended March 31, 2012.

Net cash provided by (used in) investment operations. Net cash used in investing operations was NIS 129 million for the three months ended March 31, 2013, down 57.7% compared to the NIS 305 million we used for the three months ended March 31, 2012, mainly due to a decrease in the acquisition of fixed assets and intangible assets in the amount of NIS 122 million and by a decrease of NIS 54 million in restricted cash. See "—*Capital Expenditures*".

Net cash provided by (used in) financing operations. Net cash used in financing operations amounted to NIS 138 million for the three months ended March 31, 2013, compared to net cash provided in financing operations of NIS 16 million for the three months ended March 31, 2012. The cash movement for the three months ended March 31, 2013 reflected the repayment of a portion of the Existing HOT Unsecured Notes in accordance with its amortization schedule in an amount of NIS 63 million, the repayment of a loan from a related party in an amount of NIS 55 million and the repayment of other long-term liabilities in an amount of NIS 20 million. The net cash provided by financing operations in the three months ended March 31, 2012 included the net receipt of banking, credit and bonds in an amount of NIS 398 million, which was offset by the payment of a dividend of NIS 365 million.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Net cash generated by current operations. Net cash generated by current operations decreased by 25% to NIS 930 million for the year ended December 31, 2012 compared to NIS 1,240 million for the year ended December 31, 2011. This decrease can be attributed to the decrease in net income and working capital and offset by an increase in the adjustments required to present cash flows from current activity. The decrease in working capital was mainly driven by an increase in trade receivables as a result of migrating to invoicing on a post-services basis as opposed to pre-services, which we were required by the Council for Cable and Satellite Broadcasting to complete by the end of 2012 and offset by an increase in trade payables as a result of increasing the Days Payable Outstanding (DPOs). HOT Mobile contributed to net cash used in current operations of NIS 17 million during the year ended December 31, 2012 compared to net cash generated by current operations of NIS 20 million in the year ended December 31, 2011 (for the period from November 28, 2011 to December 31, 2011).

Net cash provided by (used in) investment operations. Net cash used in investing operations was NIS 1,189 million for the year ended December 31, 2012, up 37% compared to the NIS 867 million we used for the year ended December 31, 2011, mainly due to an increase in the acquisition of fixed assets and intangible assets in the amount of NIS 614 million which included cash used by HOT Mobile for investment activities of NIS 358 million and by a decrease of NIS 190 million in restricted cash. The cash absorbed by investment activities in the corresponding period in 2011 included the amount of NIS 480 million resulting from the acquisition of HOT Mobile.

Net cash provided by (used in) financing operations. Net cash provided in financing operations amounted to NIS 275 million for the year ended December 31, 2012, compared to net cash used in financing operations of NIS 358 million for the year ended December 31, 2011. The cash movement for the year ended December 31, 2012 reflected receipt of loans from a related party (NIS 1,900 million and NIS 70 million on a long term and short term basis respectively), including the HOT Proceeds Term Note, which were offset by payment of a dividend to our shareholders, the purchase of treasury shares and the repayment of other long-term liabilities including loans and bonds. For the year ended December 31, 2011, net cash used reflected repayment of loans from banking entities of NIS 1,867 million offset by the issuance of NIS 1,485 million of the Existing HOT Unsecured Notes and the issuance of NIS 83 million of share capital via a private issue.

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

Net cash generated by current operations. Net cash generated by current operations increased by 11% to NIS 1,240 million for the year ended December 31, 2011 compared to NIS 1,103 million for the year ended December 31, 2010. This increase was primarily a result of increased net income, decreased working capital from the reduction of provisions for legal claims and an adjustment to income related to tax expenses. In addition, the acquisition of HOT Mobile impacted net cash generated by current operations by NIS 21 million.

Net cash provided by (used in) investment operations. Net cash used in investment operations was NIS 551 million for the year ended December 31, 2010. For the year ended December 31, 2011, net cash used in investment operations increased by 57.3% to NIS 867 million, as cash used in investment operations during 2011 was impacted by the acquisition of HOT Mobile by NIS 480 million and a decrease in restricted cash related to the repayment of certain of our credit facilities in 2011.

Net cash provided by (used in) financing operations. Net cash used in financing operations amounted to NIS 358 million for the year ended December 31, 2011, compared to net cash used in financing operations of NIS 553 million for the year ended December 31, 2010. The decrease in net cash used in financing operations in the amount of NIS 195 million is due to the NIS 1,485 million issuance of the Existing HOT Unsecured Notes, the NIS 83 million issuance of shares via a private issuance and NIS 87 million increase in short-term loans from banks, net (including an increase in long term receivable in favor of reorganization of finance agreement fees) offset of NIS 1,460 million increase in repayment of long-term loans from financial institutions and other long term liabilities net.

Capital Expenditures

We classify our capital expenditures on an accrued basis in the following categories.

- *Modems and Converters Related.* Connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth;

- *Cable Network Related.* Investment in improving or expanding our cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity;

- HOT Mobile Related. Investment in improving or expanding our cellular networks, investments in cellular platforms and investments in UMTS and network capacity and other intangible assets; and

- Other. Investment in other fixed property and immaterial assets including computers, motor vehicles and other intangible assets. It does not include fixed assets acquired as part of business acquisitions.

Our capital expenditures is a measure of the amount of capital expenditure accrued during the period and is not a measure of the cash used for capital expenditure during the period. The difference between our accrued capital expenditure in the period and our cash used for capital expenditure during the period is a result of delayed payment obligations in relation to our capital expenditures. For the years ended December 31, 2010, 2011 and 2012 we had cash used for capital expenditures of NIS 607 million, NIS 508 million and NIS 1,122 million, respectively, and for the three months ended March, 31 2012 and 2013 we had cash used for capital expenditures of NIS 305 million and NIS 183 million, respectively. We also had cash used to capitalize commissions which were reflected in our operating cash flow of NIS 38 million, NIS 26 million and NIS 104 million for the years ended December 31, 2010, 2011 and 2012, respectively, and NIS 15 million and NIS 26 million for the three months ended March 31, 2012 and 2013, respectively. We had total cash used for capital expenditures for the years ended December 31, 2010, 2011 and 2012 of NIS 645 million, NIS 534 million and NIS 1,226 million, respectively, and for the three months ended March 31, 2012 and 2013 NIS 320 million and NIS 209 million, respectively.

The table below summarizes our capital expenditures for the different periods.

	For the year ended December 31,			For the three months ended March 31,	
	2010	**2011**	**2012**	**2012**	**2013**
			NIS in millions		
Modems and converters related	346	178	344	**	**
Cable network related (including centers)	274	289	416	**	**
Other	93	113	211	**	**
Total HOT cable-based expenditures	**713**	**580**	**971**	**300**	**122**
Total Hot Mobile infrastructures[1]		32	276	**	**
Total Hot Mobile other[1]	—	7	139	**	**
Total HOT Mobile related expenditures		**39**	**415**	**75**	**55**
Adjustments related to intercompany transactions[2]	—	—	(2)	(1)	—
Total Capital Expenditures	**713**	**619**	**1,384**	**374**	**177**

** Not reported.

[1] Beginning from November 28, 2011.

(2) Relates to the elimination of certain intercompany payments by HOT Mobile to HOT Telecom.

Three Months Ended March 31, 2013 compared to the Three Months Ended March 31, 2012

Total capital expenditures were NIS 177 million for the three months ended March 31, 2013, representing 16.6% of revenue as compared to total capital expenditures of NIS 374 million for the three months ended March 31, 2012, representing 36.4% of revenues.

Total HOT Capital Expenditures. Total HOT capital expenditures were NIS 122 million for the three months ended March 31, 2013, representing 11.5% of revenue as compared to NIS 300 million for the three months ended March 31, 2012, representing 29.2% of revenues. This decrease was a due in large part to higher capital expenditures during the three months ended March 31, 2012 related mainly to a one time capital expenditure related to the purchase of a building which houses one of our call center operations, capital expenditure relating to purchase of our new set-top boxes (HOT Magic HD) and capital expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012.

HOT Mobile Related. HOT Mobile related capital expenditures were NIS 55 million for the three months ended March 31, 2013, representing 5.2% of revenue as compared to NIS 75 million for the three months ended March 31, 2012, representing 7.3% of revenues. This decrease was primarily due to higher expenditures relating to the expansion of our UMTS network in the three months ended March 31, 2012 immediately prior to the launch of UMTS-based cellular services in May 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Total capital expenditures were NIS 1,384 million for the year ended December 31, 2012, representing 33.0% of revenue as compared to total capital expenditures of NIS 619 million for the year ended December 31, 2011. This increase was a due in large part to increased capital expenditures related to our modems and converters as described below and the build out of our UMTS cellular network in 2012.

Modems and Converters Related. Modems and converters related capital expenditures represented NIS 344 million, or 24.9% of total capital expenditures for the year ended December 31, 2012, as compared to NIS 178 million or 28.8% of total capital expenditures for the year ended December 31, 2011. The increase in modems and converters related capital expenditures resulted from capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) for which delivery was delayed and which we had expected to incur during the second quarter of 2011 and did not received until the last quarter of 2011.

Cable Network Related (Including Centers). Cable network related (including centers) capital expenditures represented NIS 416 million, or 30.1% of total capital expenditures for the year ended December 31, 2012, as compared to NIS 289 million or 46.7% of total capital expenditures for the year ended December 31, 2011. The increase in our total cable network related (including centers) capital expenditure was as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012.

HOT Mobile Related. HOT Mobile related capital expenditures represented NIS 415 million for the year ended December, 2012 as compared to NIS 39 million for the year ended December 31, 2011, It represents 30% of total expenditure and can primarily attributed to the expansion of our UMTS network and the purchase of other intangible assets related to our cellular services operations.

Other. Other capital expenditures represented NIS 211 million, or 15% of total capital expenditures for the year ended December 31, 2012, as compared to NIS 113 million or 18% of total capital expenditures for the year ended December 31, 2011. The increase in other capital expenditures resulted from a one time capital expenditures of NIS 38 million in the first quarter of 2012 related to the purchase of a building which will house one of our call center operations. In addition, the increase in other cable related capital expenditures can also be attributed to an increase in capitalized sales commissions relating to our cable operations (NIS 61 million and NIS 25 million for the year ended 2012 and 2011 respectively).

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

Total capital expenditures were NIS 619 million for the year ended December 31, 2011, representing 18.3% of revenue, and a decrease versus NIS 713 million for the year ended December 31, 2010.

Modems and Converters Related. Modems and converters related capital expenditures represented NIS 178 million, or 28.8% of total capital expenditures for the year ended December 31, 2011, as compared to NIS 346 million or 48.5% of total capital expenditures for the year ended December 31, 2010. The decrease in modems and converters related capital expenditures resulted from a delay in delivery in our HOT Magic HD set top boxes which we expected to receive during the second quarter of 2011 and did not begin receiving until the fourth quarter of 2011.

Cable Network Related (Including Centers). Cable network related (including centers) capital expenditures represented NIS 289 million, or 46.7% of total capital expenditures for the year ended December 31, 2011, as compared to NIS 274 million or 38.4% of total capital expenditures for the year ended December 31, 2010. The increase in cable network related (including centers) capital expenditures resulted from investments in our UFI-channel in 2010, recurring maintenance and installation.

Other. Other capital expenditures represented NIS 113 million, or 18% of total capital expenditures for the year ended December 31, 2011, as compared to NIS 93 million or 13% of total capital expenditures for the year ended December 31, 2010. The increase in other capital expenditures resulted from an increase in hardware expense in an amount of NIS 34 million including investment in our CRM technology which was offset by a decrease in capitalization of sales commissions of NIS 12 million.

HOT Mobile Related. HOT Mobile related capital expenditures represented NIS 39 million, or 6.3% of total capital expenditures for the period beginning November 28, 2011 until December 31, 2011. We did not have any capital expenditures related to HOT Mobile in the year ended December 31, 2010. The HOT Mobile related capital expenditures resulted from the consolidation of HOT Mobile since November 28, 2011 and capital expenditures related to our cellular services.

Contractual Obligations

The following table summarizes the financial payments that we will be obligated to make, including under our respective debt instruments, as of March 31, 2013 on an as adjusted basis after giving effect to the Transactions. The following table does not take into account the contractual obligations of the operating entities of the Group (other than HOT), the Senior Notes Issuer and the Existing Senior Secured Notes Issuer. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

Payments due by period

	Period ending December 31,					
	2013	2014	2015	2016	2017 or later	Total
	NIS in millions					
Existing HOT Unsecured Notes, including capitalized debt issuance costs	63	127	127	127	955	1,399
HOT Proceeds Term Note	—	—	—	—	1,900	1,900
Finance leases	24	30	27	18	22	121
Total	87	157	154	145	2,877	3,420

For a description of the material terms of our existing long-term financing arrangements and our anticipated long-term financing arrangements, see "*Description of Other Indebtedness*" and "*Description of Notes*".

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources, other than as disclosed below and as disclosed in note 25 to HOT's financial statements as of and for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

Foreign Exchange Transactions

We have various foreign exchange transactions totaling $77 million as of March 31, 2013.

Guarantees

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to the Israeli Ministry of Communications. At March 31, 2013, these guarantees amounted to NIS 1,148 million.

Property Rental Agreements

We are party to contracts for rental of buildings and vehicles for various terms through 2020. The minimum future rent payments for lease rental agreements, as of December 31, 2012, not including any optional extension periods, are NIS 844 million.

Critical Accounting Policies, Judgments and Estimates

See note 2 to our financial statements for the three months ended March 31, 2013 and Note 2 to our financial statements for the year ended December 31, 2012, each included elsewhere in this Offering Memorandum.

INDUSTRY AND MARKET OVERVIEW OF ISRAEL

Israel

We operate our business in Israel, which had a population of approximately 7.9 million and approximately 2.2 million households as of December 31, 2012 and is one of the few developed economies with a growing number of inhabitants and households. Between 2009 and 2012, the population of Israel grew at an average rate of 1.8% per annum and is expected to continue to grow at an average rate of 1.6% per annum from 2012 to 2016 (Source: Euromonitor), faster than in most developed economies, thus providing a natural floor to expansion in number of inhabitants and households, the addressable market for our cable-based and cellular services.

Israel has a developed market economy, has joined the Organization for Economic Co-operation and Development ("OECD") in 2010 and had a GDP per capita (based on purchasing power parity) of $31,490 in 2012, which is comparable to Western Europe ($32,490), as defined by Euromonitor. Israeli real GDP grew at a rate of 4.4% since 1991, compared to the average real GDP growth rate of 1.8% in the Western Europe and of 2.6% in the United States. During this period, Israel has faced only 2 years of decline in real GDP, in 2001 and 2002. Since the beginning of the global economic slowdown in 2007 the Israeli economy has witnessed a high level of resilience: Israeli real GDP has grown at an average rate of 3.6% versus 0.0% for Western Europe, as defined by Euromonitor, and 0.6% for the U.S, and Israel maintains a sovereign rating A+ and A1 from S&P and Moody's, respectively, and limited levels of government debt relative to GDP (74.5% for 2012) while its currency has been relatively stable. Israel's real GDP is expected to grow at an average rate of 3.4% per annum from 2012 to 2016 versus 2.3% for the U.S. and 1.5% for Western Europe (Source: Euromonitor). The country also enjoys high levels of literacy, life expectancy and disposable income as attested by it being ranked #16 on the Human Development Index (HDI), ahead of countries such as Belgium, France or Austria. Israel's economy is diversified and competitive internationally with significant level of exports focused around high-technology equipment, cut diamonds, and agricultural products (fruits and vegetables). Israel usually posts sizable trade deficits, notably it imports crude oil, grains, raw materials, and military equipment. However, these imports are covered by tourism and other service exports, as well as significant foreign investment inflows, which contribute to the balance of payments.

Israel operates under a parliamentary system as a democratic state with universal suffrage and enjoys a history of rule of law. Israel has a well-developed and transparent prudential financial sector supervision, a well regarded central bank and a stable currency over the years versus U.S. Dollar and Euro.

Industry Convergence

The Israeli media and telecommunications markets have, over the past several years, slowly been converging as customers tended to seek to receive their media and telecommunications services from a single provider. Israel has relatively high penetration rates for pay television, broadband Internet infrastructure access and cellular telephony of 66%, 69% and 127%, respectively, as of December 31, 2012 (Source: IHS for pay television and broadband Internet and WCIS for cellular telephony), compared to Western Europe, as defined by Euromonitor, and the United States. This environment fosters a market for packaged offerings or "multiple play", whereby television, broadband Internet infrastructure access and fixed-line telephony services are bundled into integrated offerings referred to as "dual-play" or "double-play" (two services provided together), or "triple-play" (three services provided together). When cellular telephony subscriptions are added to "triple-play" packages, these are known as "quad-play" or "quadruple play" packages, but currently such packages are prohibited by law in Israel under certain operators' licenses.

The only operator currently offering triple-play packages including pay television, broadband Internet infrastructure access and fixed-line telephony in Israel is HOT, with approximately 36% of its Cable Customer Relationships subscribing to its triple-play offerings as of March 31, 2013. While convergence has occurred at relatively fast pace in a number of Western European markets, notably in France and in the UK, a series of regulations, notably those affecting integrated telecommunications operator Bezeq's ability to bundle products, have historically prevented such convergence to occur en masse in Israel, and still are a significant impediment to a broader convergence. For example, Bezeq is forced by current regulation to maintain a structural separation between its various subsidiaries. We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced.

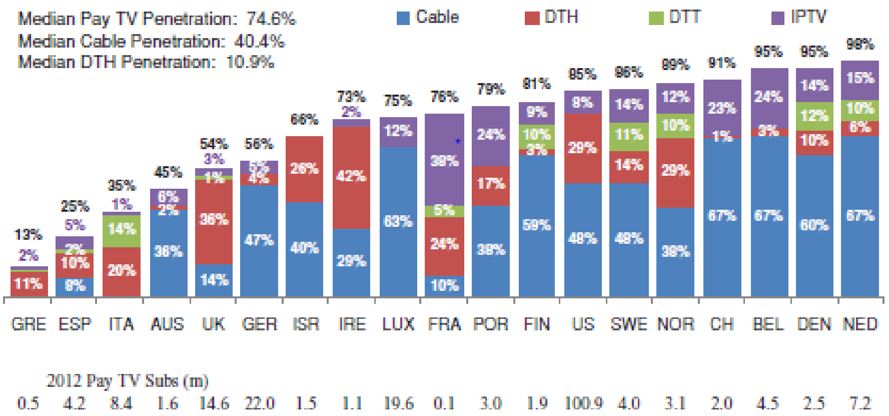
Pay Television

Introduction

Israel's primary television platforms are dominated by pay television with relatively limited penetration of free platforms such as terrestrial television or free DTH. As a result of the free to air platforms being relatively unattractive given access to only 6 channels offered by DTT and limited local content for free DTH, Israel's pay television market has a penetration level of approximately 66% as of December 31, 2012, in line with its peer countries in Western Europe (France 75.9%, Portugal 79.1%, Finland 81.0%). While the Israeli pay television market has been stable by number of subscribers since 2009 at approximately 1.5 million subscribers, the market revenues have expanded from NIS 3.8 billion in 2010 to NIS 3.9 billion in 2012 (Source: IHS) as pay television ARPUs have grown historically for both HOT and YES. Similar to Western European markets, television consumer behavior in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VOD and "start-over".

Most Israeli households subscribe to pay television packages via cable or satellite, mostly digital, provided by HOT and YES, respectively. Free DTT service started in 2009 but has achieved a limited primary penetration of TV households of approximately 12.6% based on IHS's reports, although we believe these numbers include numerous Haredi or ultra-orthodox Jewish households who do not watch television. While the established pay television operators face competition from free television (including DTT) and alternatives ways of accessing television channels (such as "over-the-top" ("OTT") television), the competitive advantage of pay television via cable or DTH (reliability, image quality, diversified international and local language content and the ability to offer advanced interactive services among others) and the loyalty of the existing customer base lead to the pay television industry having relatively stable subscription revenues when compared to other countries where competition from other platforms is more acute. As of December 31, 2012, there were an estimated 2.2 million (Source: IHS) television households in Israel of which 1.5 million subscribed to pay television as their primary means of watching television, split into approximately 61% through cable and 39% through satellite.

2012 Israeli Pay TV Platforms vs. Western European and U.S. Peers



Cable

We are the sole cable operator in Israel and generate revenues principally from subscription fees paid by customers for the services provided. Services provided via cable networks are characterized by easy-to-use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Given the trend towards offering bundled media and telecommunications services, the market share of cable television distribution is expected to benefit from cable's ability to deliver triple-play services with high bandwidth, high speed and bi-directional capacity. On a standalone basis, i.e. without a broadband internet connection, bi-directional capabilities of digital cable television over DTH are substantial for both the users and the cable operator: digital cable subscribers can order VOD products and use interactive television while the cable operator is able to track usage patterns and target customer advertising more efficiently.

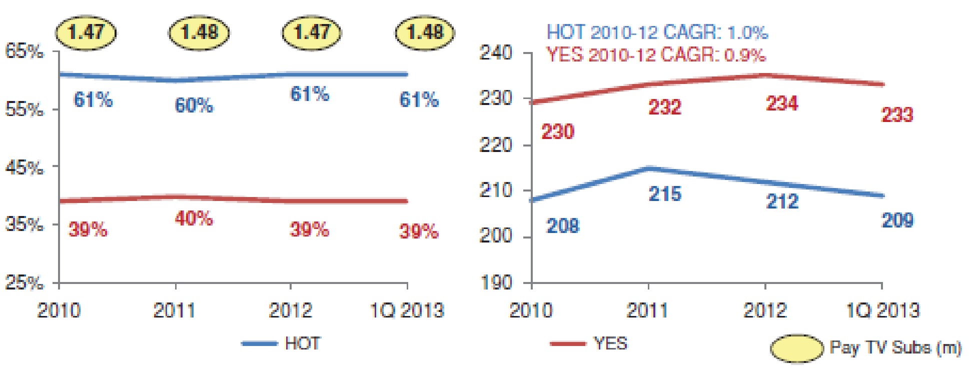
Cable's share of the pay television market has remained relatively stable over the last three years at approximately 61%. The ARPU generated by cable television customers has continued to expand from NIS 208 per month in 2010 to NIS 212 per month in 2012, notably on the back of digitalization and the emergence of a broader offering of channels and additional services.

Satellite

Satellite television is the main alternative to cable television in Israel. Television viewers can receive 'free-to-air" or paid satellite television, which is offered by YES, an associate of Bezeq. Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers need a satellite dish, a satellite receiver and a set-top box. Viewers also require a smart card for subscription-based and premium television services distributed via satellite. Satellite providers of free-to-air satellite services do not have any relationships with viewers as they do not receive any subscription or other fees from them.

Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available to a wider geographic area, especially rural areas. However, given the lack of integrated return path, satellite struggles to deliver easy-to-handle interactive television services, including VOD services, without the subscriber having broadband Internet connection. We believe that satellite has the following additional disadvantages compared to cable television: (i) the higher up-front cost of procuring and installing a satellite dish, as compared to the "plug-and-play" convenience of cable television; (ii) the lack of an ongoing maintenance service, which cable network operators offer to their subscribers; and (iii) the vulnerability of satellite reception to external interference, such as adverse weather conditions. Satellite's share of the pay television market has remained relatively stable over the last three years at approximately 39%. The ARPU generated by satellite television customers has continued to expand at a more moderate pace than for cable television, from NIS 230 per month in 2010 to NIS 234 per month in 2012, notably on the back of digitalization and the emergence of a broader offering of channels and additional services.

Pay TV Market Shares and ARPUs by Platform Since 2010 (Source: Bezeq public filings for Bezeq data, IHS Screen Digest and our internal estimates).



Pay TV Platforms Market Shares

Evolution of Pay TV ARPUs in Israel (NIS)

DTT

Subscribers are also able to receive television services through DTT, an alternative way of watching certain television channels. Current penetration rates of DTT is low due to several reasons: (i) DTT currently offers access to 6 channels only, (ii) there is no access to premium or thematic content, such as sports, movies or children's programming, (iii) DTT has no interactive functionalities such as VOD or "start-over" and (iv) DTT has limited capacity to transfer significant number of channels simultaneously and quality can be affected by weather. DTT could become more attractive in the future as a total of three multiplexers (MUXes) allowing for 18 channels have recently been approved by the Israeli government and are being rolled out. However, we believe that cable television will maintain its advantage over DTT as the increase in the number of channels doesn't fundamentally address some of the key customers' requirements such as interactivity and ability to choose a la carte content, and DTT channels have struggled to be successful without the revenue generated by customer subscriptions charges.

Other Emerging Technologies

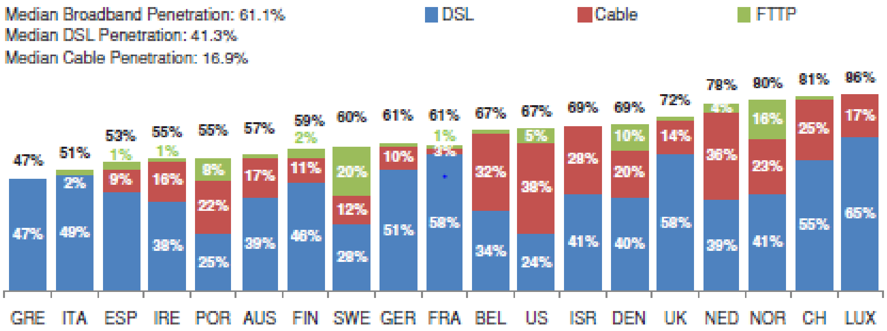
We face a growing but limited competition from other technologies when compared to European markets. Bezeq is currently lobbying to offer IPTV which is currently prohibited by law. Other players, such as websites and online aggregators of content that deliver broadcasts "over-the-top" of existing broadband networks may become significant competitors in the future. The full extent to which these alternative technologies will compete effectively with our cable television system is not yet known; however we believe that the international IPTV market will have difficulty impacting the Israeli multichannel TV market due to various reasons, including the (i) availability of certain local language content on cable or satellite only, (ii) quality of the signal on certain DSL-enabled connections located far from exchanges, (iii) inability to access HDTV content on most DSL connections during peak times and (iv) ability of cable operators to bundle pay television with other fixed-line products.

Broadband Internet

Introduction

Israel is a mid-sized broadband Internet market based on penetration when compared to Western European or North American peer countries, with approximately 2.0 million broadband subscriptions as of December 31, 2012. While the current broadband penetration rate in Israel (being the number of broadband subscriptions per 100 households in Israel) is lower than in some other European markets, the growth of broadband penetration rates tends to be faster. The broadband penetration rate in Israel, which has increased steadily over the last three years, was approximately 69.0% as of December 31, 2012, compared to approximately 67.4% as of December 31, 2010, which makes Israel a relatively less mature broadband market when compared to Western European peers, where, as of December 31, 2012, broadband penetration rates were approximately 78.4% in Netherlands and 61.5% in France (Source: IHS).

2012E Israeli Fixed Broadband Platforms vs. Western European and U.S. Peers



2012 Pay TV Subs (m)

GRE	ITA	ESP	IRE	POR	AUS	FIN	SWE	GER	FRA	BEL	US	ISR	DEN	UK	NED	NOR	CH	LUX
2.5	13.9	11.1	1.1	2.5	2.3	1.7	3.1	27.8	23.6	3.6	89.1	2.0	2.2	21.7	6.6	2.0	3.2	0.2

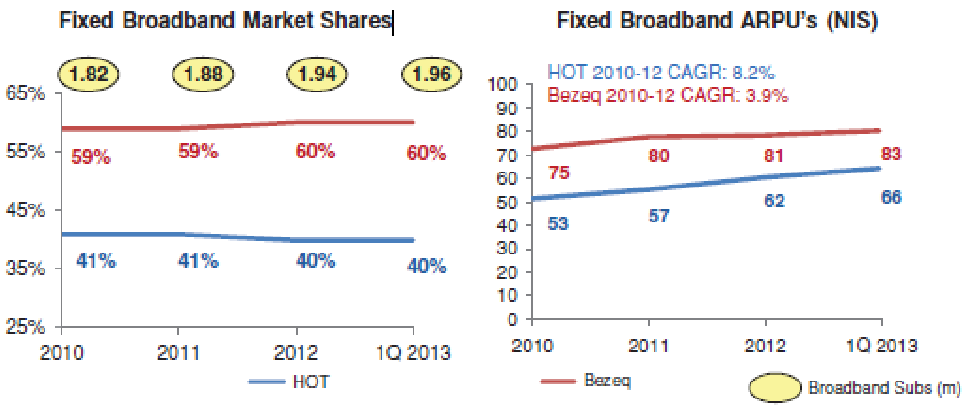
Broadband Internet in Israel is uniquely structured as households wishing to subscribe to broadband Internet need to purchase an Internet access service from a licensed Internet Service Provider ("ISP") and a broadband Internet infrastructure access service from HOT or Bezeq, the only telecommunication operators which own a nationwide physical fixed-line infrastructure.

Broadband Internet Infrastructure Access

Currently HOT and Bezeq are the only nationwide fixed infrastructure owners, using cable and DSL technology platforms, respectively. Growth in the Israel broadband Internet infrastructure access market has been driven by (i) the number of subscribers to broadband Internet infrastructure access increasing steadily from 1.8 million to 2.0 million from 2010 to 2012 and (ii) significant growth in broadband Internet infrastructure access ARPU of approximately 7% per annum on average during the same period, from NIS 59 in 2010 to NIS 67 as of December 31, 2012 (Source Bezeq public filings for Bezeq data, ARPU is based on blended ARPU of HOT and Bezeq weighted by number of subscribers).

Exhibit 2: Broadband Internet Market Shares and ARPUs by Platform Since 2010 (Source: Bezeq public filings for Bezeq data)

Fixed Broadband Market Shares **Fixed Broadband ARPU's (NIS)**



Bezeq through Digital Subscription Line ("DSL"), is the leading broadband Internet infrastructure access provider in Israel, with 1.2 million subscriptions as of March 31, 2013, representing approximately 60% of the total broadband Internet infrastructure access market by number of subscribers. The maximum download speed provided via DSL is typically limited to 28 Mbps, with effective speed delivered to the user being typically significantly lower and dependent on the distance separating the household from the nearest exchange. In order to offer broadband Internet speeds that exceed 28Mbps, in 2009, Bezeq began rolling out access its Next Generation Network ("NGN") based on the Very-High-Bit-Rate Digital Subscriber Line 2 ("VDSL2") technology.

VDSL2 is the newest and most advanced standard for DSL broadband wireline communications. It was originally designed to support the wide deployment of triple-play services such as voice, video, data, HDTV and interactive gaming and was intended to enable operators and carriers to gradually, flexibly, and cost-efficiently upgrade existing xDSL infrastructure. VDSL2 permits the transmission of asymmetric and symmetric aggregate data rates up to 200 Mbps downstream and upstream on twisted pairs using a bandwidth up to 30 MHz and allows for significantly lower signal deterioration due to distance between the cabinet and the customer's premise when compared to older DSL technologies.VDSL2-enabled networks could theoretically allow for up to 100 Mbps at 0.4 km, 40-50 Mbps at 0.7km and approximately 30 Mbps at 1 km. It is widely recognized that effective speeds delivered on DSL networks are lower than theoretical speeds, especially when the quality of the copper lines between the cabinet and the premises is poor.

Based on Bezeq's public filings, Bezeq is currently rolling out a Fiber-to-the-Cabinet (FTTC) infrastructure aiming at bringing fiber connections within what we believe to be distances as limited as 700 meters from the end user's premises, the remaining portion of the "last mile" relying on existing copper cables. While Bezeq does not disclose whether it uses Profile 30a or Profile 17a VDSL2 technology, based on our estimates, we believe Bezeq is able to offer effective average speeds of 30 Mbps on most of its upgraded network with only certain households, those which are located closest to the cabinets, effectively able to get 100 Mbps download speeds. Bezeq has reported that, as of March 31, 2013, approximately 65% of its 1.2 million broadband customers have been migrated to its NGN.

On August 29, 2012, Bezeq announced it has decided to broaden the deployment of the optical fibers so that they will arrive as close as possible to the customers through Fiber-to-the-Home (FTTH) or Fiber-to-the-Building (FTTB), to form the basis for future supply of advanced communication services and with greater bandwidth than currently provided. A substantial challenge facing the expansion of FTTH or FTTB is that such technology is capital- and time-intensive, requiring significant digging and rewiring. In April 2012, Analysis Mason, a consultancy specializing in telecommunications, estimated the cost of upgrading DSL-enabled premises and connecting customers to FTTC, FTTB and FTTH at up to approximately $250, $700 and $1,200 per home respectively, with effective cost per active customer significantly higher given that all homes passed do not typically have active customers in them. As a result, we believe the cost of upgrading the network to VDSL2/FTTC incurred by Bezeq so far has been substantially lower than the upcoming cost of upgrading even the densest areas of Israel to FTTH. Given current levels of broadband Internet infrastructure access ARPUs in Israel, we believe such investments would offer limited or negative return on investment for Bezeq except in the most densely populated urban areas. Over the last three years, Bezeq's market share of the broadband Internet infrastructure access market has remained stable at approximately 60%.

Broadband Internet Infrastructure Access—Cable

Hybrid Fiber Coaxial (HFC) cable is a telecommunications industry term for a broadband network which combines optical fiber and coaxial cable. In Israel, HFC cable broadband Internet is provided exclusively by HOT.

The cable network has been designed for the transmission of large amounts of analog and digital television and radio signals and is able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. Our network has been 100% upgraded to bi-directionality, is fully U.S. Docsis 3.0 enabled, uses the full spectrum bandwidth capacity of 750-862 MHz in most areas and offers up to 100 Mbps download speeds to all of the homes passed, with the theoretical potential for up to 304 Mbps with current U.S. Docsis 3.0 modems on our FTTB footprint. In 2011, we began to selectively roll out FTTB and Fiber-To-The-Last-Amplifier ("FTTLA") to further increase the speeds we can make theoretically available to our customers up to 304 Mbps.

It is generally accepted that cable networks offer faster broadband Internet infrastructure access than DSL. Copper is a significantly more distance-sensitive medium than HFC cable, and accordingly access speeds for DSL technology decrease substantially as distance from DSL hubs increases. Furthermore, the maximum download speed of DSL networks has to be shared between broadband internet infrastructure access and telephony, while our HFC cable broadband Internet allows subscribers to use all of the 100 Mbps capacity for Internet access while still using television services. Our ability to offer the highest speeds in Israel on a large scale allows our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection) simultaneously without impairing the quality of television signal or the speed and quality of the Internet connection. Based on Bezeq's public filings and third party sources, we believe, under currently available VDSL2 FTTC technology, Bezeq would able to provide broadband internet infrastructure access of comparable quality to those provided over cable networks but to a limited number of its customers. FTTH is the only infrastructure that offers similar speeds with the potential for higher internet speeds (upload and download) than are currently possible over our HFC network. We believe that Bezeq currently has only a limited number of homes passed by FTTH.

Over the last three years, our market share of the broadband Internet infrastructure access market has remained stable at approximately 40%.

ISPs

As of December 31, 2012, there were numerous ISP providers in Israel, although Netvision (a subsidiary of Cellcom), 012 Smile (a subsidiary of Partner Communications) and Bezeq International accounted for 90.1% of the subscriptions. Netvision was the largest with a market share of 33.5%, 012 Smile with 33.0% and HOT with 23.6% (Source: IHS, combined market share of tracked ISPs).

The ISP subscription varies depending on numerous parameters such as the speed of access, the ISP provider or the broadband Internet access infrastructure the customer purchase the access to with the ISP subscription. In 2012, we launched an ISP product, through our subsidiary HOT Net, priced at NIS 20 per month no matter the speed or the package, a significant discount to prices offered by competitors.

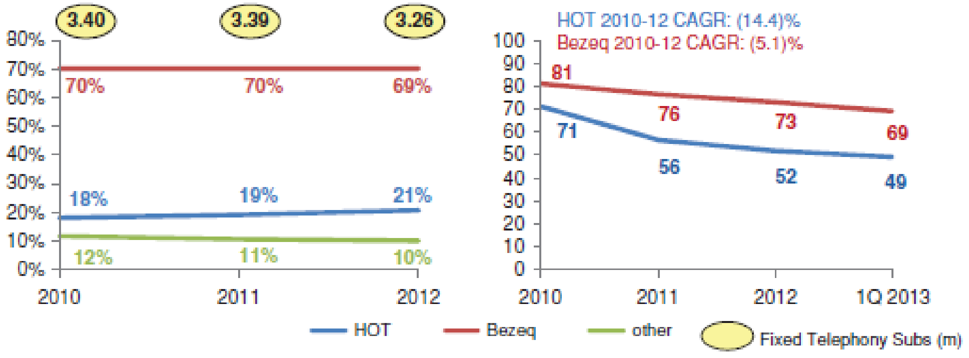
Fixed-Line Telephony

As of December 31, 2012, there were approximately 3.3 million fixed-line telephony lines in Israel. Subscribers to fixed-line telephony services include households and enterprises. The number of lines has been declining slowly since 2010, which is in line with most Western European countries where fixed-line penetration of households has declined on the back of an increase in number of individuals who use cellular phones only. Bezeq, the incumbent fixed-line telephony service provider in Israel, is the largest provider of fixed-line telephony services, with 2.3 million fixed telephony lines or approximately 69% market share as of December 31, 2012. In addition to Bezeq and HOT, who are by far the largest players, fixed-line telephony can also be purchased from VOBs who cumulatively hold approximately 12% of the market. HOT has approximately 20% of the fixed-line telephony market share.

The market for residential telephony in Israeli faces pressure from alternative carriers, declining cellular termination and interconnection rates, as well as alternative access technologies such as Voice Over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been largely a commodity and uptake as become increasingly dependent on a quality broadband Internet offering by the same provider. Fixed-line telephony has experienced some price erosion over the past few years, partly driven by a reduction in termination rates, and resulted in the decline in Bezeq and HOT's reported fixed-line telephony ARPUs.

Fixed-Line Telephony Customers and ARPUs by Operator Since 2010 (Source: Bezeq public filings for Bezeq data).

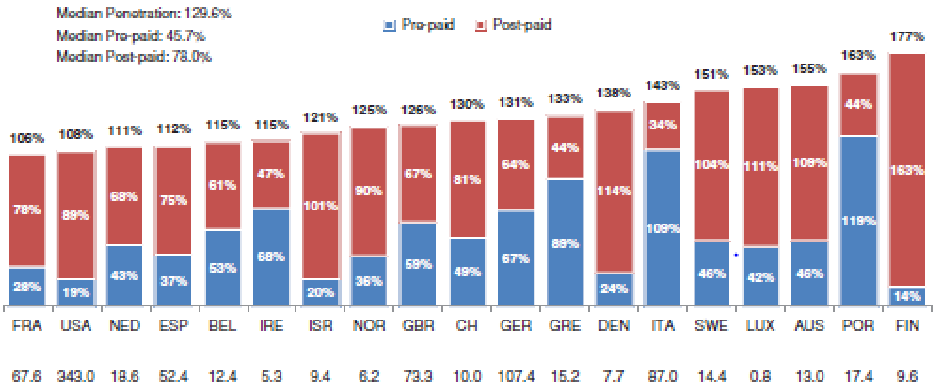
Fixed-Line Telephony Market Share **Evolution of Fixed-Line Telephony ARPUs**



Cellular Telephony

As of March 31, 2013, there were approximately 9.4 million cellular telephony customers in Israel, representing a penetration of 121%, broadly in line with countries such as Switzerland, Great Britain, Belgium and Germany As of December 31, 2012. Approximately 84% of the customers were "post-paid," i.e. purchased subscriptions rather than pre-paid cards allowing a fixed number of minutes of use (Source: Informa Telecoms & Media). On average Israeli cellular phone users spent approximately NIS 90 per month (excluding VAT) on their cellular telephony services in 2012 (Source: Informa Telecoms & Media), a relatively modest figure when compared to most Western European and U.S. markets.

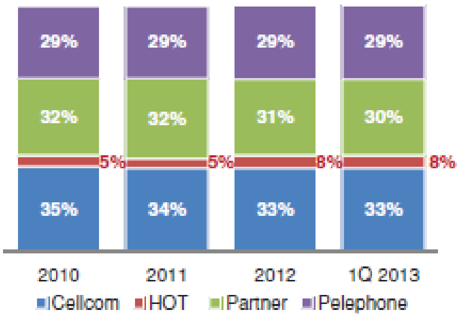
2012E Israeli Cellular Telephony Penetration vs. Western European and U.S. Peers



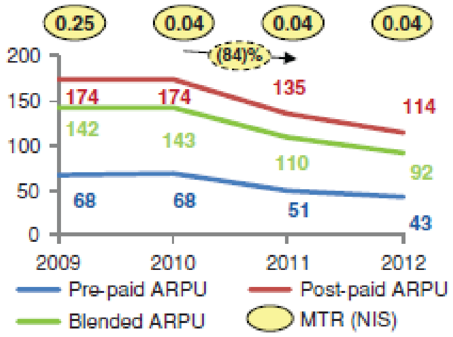
There are currently five licensed Mobile Network Operators (MNOs) which offer cellular telephony services to the public and several players who operate Mobile Virtual Network Operators (MVNOs), although MVNOs currently have insignificant market share of the cellular telephony market. Market shares of the top three cellular operators, Cellcom, Partner Communications and Pelephone (Bezeq), have been relatively stable over the past years at approximately 30% each. New entrants, HOT Mobile (previously MIRS) and Golan Telecom, were granted licenses in 2011 with services launched in the second quarter of 2012 via a combination of proprietary networks and national roaming agreements with existing operators. As of March 31, 2013, HOT Mobile had approximately 758,000 cellular subscribers, corresponding to a market share of approximately 8% compared to 4% as of December 31, 2011. In 2012, the combined ARPU for cellular telephony subscribers of all mobile operators in Israel declined to NIS 92 from NIS 143 in 2010 primarily driven by a new cellular termination rate regulation in September 2010 which reduced cellular termination rates from NIS 0.25 to NIS 0.04, a decline of approximately 84%.

Cellular Telephony Market Shares by Operator Since 2010 (Source: Informa Telecoms and Media, IHS).

Market Share Evolution Since 2009



Israel ARPU and MTRs (NIS/Month)



The Israeli cellular communications market is more competitive than some of the markets in Western Europe, notably given the recent legislation, enacted in April 2012, preventing operators from charging exit fees, except in limited circumstances. As a result, the Israeli cellular market now offers fewer barriers to entry for the new 4th and 5th cellular license owners HOT Mobile and Golan Telecom.

Mobile Broadband

As of September 31, 2012, there were 5.8 million active 3G mobile subscribers in the Israeli market (Source: Informa Telecoms and Media). Mobile operators' network capability can be further enhanced by Long-Term Evolution ("LTE") network roll-out, although the Ministry of Communications has not yet tendered for the frequencies necessary for LTE-based services, enabling the provision of higher-speed mobile broadband Internet. Mobile broadband Internet operators, however, currently only offer speeds and capacities significantly lower than cable and DSL operators. As a result, we believe that, in the coming years, HFC cable will be the only broadband Internet infrastructure access alternative to DSL with an extensive coverage and high bandwidth for the foreseeable future.

DESCRIPTION OF HOT'S BUSINESS

In this section only, references to "we", "us", "our", "HOT" and the "Company" may refer to HOT-Telecommunication Systems Ltd. or, collectively, HOT-Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

Overview

We are the sole cable operator in Israel and one of two operators that own a national fixed-line network infrastructure, with our cable network passing most homes in Israel. We are the leading provider of pay television services and the second leading provider of broadband Internet infrastructure access and fixed-line telephony services in terms of number of subscribers in Israel. We are currently the only provider of bundled triple-play services in Israel, which include pay television, broadband Internet infrastructure access and fixed-line telephony services. We are also a growing provider of cellular services in Israel, having launched in May 2012 our Universal Mobile Telecommunication System ("UMTS") based third generation ("3G") cellular services in addition to our existing Integrated Digital Enhanced ("iDEN") cellular services. As of March 31, 2013, we had approximately 1.2 million Cable Customer Relationships, which accounted for approximately 2.4 million revenue generating units ("RGUs"), and 758,000 cellular RGUs.

We believe that our cable network is among the most technologically advanced in the Middle East region. Our fully-owned cable network includes extensive fiber and is therefore generally accepted as faster, with greater data capacity and able to offer better quality than copper-based digital subscriber line ("DSL") networks. Our entire cable network is U.S. Docsis 3.0-enabled allowing us to offer subscribers download speeds which we believe is higher than those achieved at similar pricing by our largest DSL competitor on a large scale. This enables our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection)) to the Internet at the same time and receive interactive services like video-on-demand ("VOD") and personal video recording ("PVR"), as well as high-definition television ("HDTV"). We own an extensive iDEN cellular network with nationwide coverage and we are building an expanding UMTS network, offering, what we believe to be, the most advanced 3G services available in Israel, covering approximately 46% of the inhabited territory of Israel as of March 31, 2013. We have entered into a national roaming agreement with a cellular provider with UMTS coverage in the areas of Israel that are currently outside of our UMTS network coverage area.

History

Our Group was formed on December 31, 2006 as a result of the merger (the "Cable Consolidation") of the three existing cable companies in Israel, Arutzey Zahav, Matav and Tevel, which were the exclusive providers of multi-channel television services in Israel from 1990 until July 2000. As a result of the regulatory framework governing cable television prior to the merger, the operations of each of our predecessor companies were restricted to defined concession areas in which they had a monopoly over cable television services. Following the introduction of satellite television technology into Israel in 2000, our predecessor companies initiated the consolidation process designed to integrate their cable network and operations under a single group in order to effectively compete with satellite television as well as expanding their operations to provide broadband Internet access and fixed-line telephony services. Following the completion of the merger, HOT-Telecommunication Systems Ltd. ("HOT"), is the primary Group entity responsible for the pay television operations of the Group.

In 2003, as a part of the consolidation process, our predecessor companies formed HOT Telecom Limited Partnership ("HOT Telecom") as a joint venture to provide broadband Internet infrastructure access and fixed-line telephony services over their respective cable networks. HOT Telecom commenced operations on January 1, 2004 and manages the broadband Internet infrastructure access and fixed-line telephony operations of the Group. Following the completion of the merger, HOT Telecom became a wholly-owned subsidiary of HOT. As a result of certain regulatory requirements, HOT Telecom also owns the Group's cable network. For further details, see "*Regulatory—Structural Separation*".

In November 2011, we completed the acquisition of MIRS Communications Ltd. ("MIRS"), pursuant to which we have expanded our range of services to include cellular services. On May 21, 2012 MIRS was renamed as HOT Mobile Ltd. ("HOT Mobile") and is the Group entity responsible for the cellular operations of the Group. HOT Mobile is a wholly-owned subsidiary of HOT.

In February 2012, we commenced ISP operations through HOT Net Internet Services Ltd ("HOT Net"), which is a wholly-owned subsidiary of HOT operating under structural separation.

HOT is registered with the Israeli Registrar of Companies under number 52-004007-2. Following the consummation of the 2012 Transaction, Cool Holding and its subsidiary own all of the outstanding share capital of HOT (other than certain share options) and HOT's shares have been delisted from trading on the Tel-Aviv Stock Exchange.

HOT Telecom is registered with the Israeli Registrar of Partnerships under number 55-021525-5. HOT Mobile is registered with the Israeli Registrar of Companies under number 51-261596-4. HOT Net is registered with the Israeli Registrar of Companies under number 51-212970-1. Our principal business addresses are Europark, Yakum, 60972, Israel and 3 Negev Street, Airport City, 70100, Israel.

Products and Services

Cable Services

We provide pay television, broadband Internet infrastructure access and fixed-line telephony services under the "HOT" brand to residential subscribers and businesses in Israel via our cable network. In addition, we provide a range of advanced telecommunications solutions to our business customers.

Multiple-play. We are currently the only provider of bundled triple-play services, comprising pay television, broadband Internet infrastructure access and fixed-line telephony, in Israel, which enable our customers to conveniently subscribe to pay television, broadband Internet infrastructure access and fixed-line telephony services together at attractive prices that are lower than the sum of the stand-alone services. We also offer various double-play packages comprising of a combination of two of these services. We believe that the several bundled options we have introduced allow our customers to customize their packages according to their requirements and offer them greater value for money compared to similar services offered by our competitors. As of March 31, 2013, 36% of our Cable Customer Relationships subscribed to our triple-play packages. We have increased total RGUs for cable-based services from 2.3 million RGUs as of December 31, 2010 to 2.4 million RGUs as of March 31, 2013 and increased our average RGUs per Cable Customer Relationships from 1.76 services on December 31, 2010 to 1.98 services on March 31, 2013 by investing in the marketing of our multiple-play offerings and transitioning our analog and digital video-only customers to multiple-play packages. The content of our main triple-play packages are summarized in the table below:

Package	Services Offered	Price per Month
iTop Triple....................................	*Television*: 79 standard channels + six extra content packages*+37 Premium channels *Maximum Internet speed*: 100 Mbps** *Fixed-line telephony*: Unlimited calls to fixed and mobile lines in Israel	NIS 352
IClassic Triple...............................	*Television*: 79 standard channels + three extra content packages* *Maximum Internet speed*: 30 Mbps** *Fixed-line telephony*: 500 free outgoing minutes per month to fixed and mobile lines in Israel	NIS 302
iLight Triple..................................	*Television*: 79 standard channels + two extra content packages* *Maximum Internet speed*: 12 Mbps** *Fixed-line telephony*: 60 free outgoing minutes per month to fixed and mobile lines in Israel	NIS 282

* Our extra content packages include packages ranging from 5 to 7 television channels including HD channels.

** Customers have the option to choose their preferred ISP.

While we highlight our multiple-play packages in our marketing efforts, we continue to offer stand-alone pay television, broadband Internet infrastructure access and fixed-line telephony services to our customers as required by regulations. For further details, see "*Regulatory—Structural Separation*". Each of our cable services are described in further detail below.

Pay Television. We are the largest provider of pay television services in Israel based on number of subscribers. We offer our residential and business customers a full range of pay television services that includes digital television and premium digital services under the HOT brand name. Our premium digital services include theme and premium content packages, HDTV channels and PVR services. Our cable network is entirely bi-directional which enables us to offer interactive digital services to most of our customers. As of March 31, 2013, we had approximately 898,000 RGUs (comprising 883,000 digital television RGUs and 15,000 analog television RGUs) to our pay television service, an increase from 891,000 RGUs as of December 31, 2010, representing approximately 70% of our Cable Customer Relationships and 61% market share of the pay television market in Israel based on number of subscribers.

We have invested in co-developing with our local production partners and procuring quality content in order to offer our customers high quality television programming. We package such original and purchased content into a range of television channels that we own and broadcast under the HOT brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels, which we believe are highly popular in Israel and run shows with top television ratings such as Haborer, Asfur 2, Split 2 Wedding Season and TLV. We also purchase rights to broadcast popular foreign channels over our network. Our total spend on television programming content during 2012 was NIS 667 million. We believe the quality of content we provide over our network generally and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are subject to certain minimum investment requirements relating to the production of original local content. We have been in compliance with these regulatory requirements in all material respects. Due to a recent decision of the Israeli Council for Cable and Satellite Broadcasting (the "Israeli Broadcasting Council") we are required to increase the level of investment in local content by approximately 14%. For further details, see "*Regulatory—Television—Minimum Investment in Local Content Productions*".

Digital Television

Our standard digital television package consists of 79 television channels and 32 radio channels, which we believe is higher than the number of channels offered by our competitor. Our standard television package contains a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels as well as channels in Arabic and in Russian to address demand from the culturally diverse population of Israel. These include the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV and Zee TV as well as "must carry" channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. We also offer our digital television customers access to 59 premium television channels which can be purchased for an additional monthly subscription fee in the form of individual television channels or as extra content channel packages. The content of our main pay television packages are summarized in the table below:

Package	Services Offered	Price per Month
Top TV	79 standard channels + six extra content packages+ premium package	NIS 251
Classic TV	79 standard channels + three extra content packages*	NIS 241
Light TV	79 standard channels + two extra content packages*	NIS 221

* Our extra content packages include packages ranging from 5 to 7 television channels including HD channels.

We also provide our digital customers with a start-over service for over 25 television channels, which is included in all our digital television packages, enabling the viewer who misses the start of a program to go back to the beginning of the program while a broadcast is in progress.

Premium or Value-Added Services

We offer up to 21 television channels in HD that have enhanced picture and sound quality compared to regular television channels and therefore improve the customer's viewing experience.

We were the first television services provider in Israel to offer VOD services, which are provided by means of a dedicated set-top box. Our VOD library is extensive containing approximately 18,400 hours of content as of March 31, 2013. Our VOD service currently comprises two delivery portals, namely HOT VOD and HOT VOD Young, which provides our customers with instant access to on-demand content including a wide selection of movies, television shows, children's programming, music videos, content in Arabic and in Russian and other on-demand content on a monthly subscription basis. We also provide our customers with access to additional content libraries that are not included in the HOT VOD and HOT VOD Young portals, including premium movies from our HOT VOD Movies portal and content exclusively in Russian from our HOT Russian VOD portal, on a pay-per-view or monthly subscription basis. Our VOD service is an interactive service enabling viewers to watch programs of their choice instantly, without the need for buffering, and to pause, fast-forward and rewind the content at will. This gives our customers increased control over the content and timing of their television viewing. As of March 31, 2013, our VOD penetration rate was 56% of our pay television RGUs, we believe the highest in Israel, compared to 52% as of December 31, 2010. In 2011, we commenced offering digital customers a HOT Magic HD set-top box, which combines VOD functionality, HD technology and recording capabilities in a single set-top box. The customer is thus able to control viewing of content of choice at a higher quality. This set-top box has a removable disk for recording content which allows for preservation of the recorded content if the set-top box is replaced.

We also offer digital customers our PVR service, HOT Magic, for a monthly subscription fee by means of a set-top box that, in addition to receiving the regular digital broadcasts, enables digitally recording television programs to a hard disk in real-time. The PVR functionality allows customers to play-back, pause, fast-forward or rewind programs at any point during or for a period after the broadcast. In 2011, we commenced offering digital broadcast subscribers a HOT HD-PVR set-top box, which combines PVR and HDTV technology in a single set-top box.

Analog Services

As of March 31, 2013, we continued to provide analog television services to approximately 15,000 customers. Our basic analog television service consists of a standard package of 57 television channels and 32 radio channels. We are in the process of phasing out our analog services, which we plan to complete during the course of 2013. We believe that phasing out our analog services will free up bandwidth over our network which will enable us to expand our digital services. We have developed targeted promotional offers to migrate our existing analog customers to digital television.

Broadband Internet Infrastructure Access. Internet service in Israel is uniquely structured in as much as it is segregated into two separate elements comprised of infrastructure or network access services and ISP services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer's device to the infrastructure access provider's operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed-line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider's operator, through its own operator, to the local and global Internet network. ISPs generally also provide certain value added services such as data protection services, security solutions, e-mail services and system administration services. A customer wishing to subscribe to Internet services in Israel effectively needs to purchase each of these services and accordingly retains the choice with regards to providers for both services, i.e., it may choose to subscribe to the broadband Internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband Internet infrastructure access providers, on equal terms. For further details, see "*Regulatory—Internet Service Providers*".

We have been providing residential and business customers with broadband Internet infrastructure access services over our cable network since HOT Telecom began operations in 2004. The services are provided by our subsidiary HOT Telecom. In 2010, we completed a cable network upgrade that made our entire cable network U.S. Docsis 3.0-enabled. This allows us to provide ultra fast broadband Internet infrastructure access services with limited or no degradation in speed throughout our cable network, which we believe is the highest in Israel on a large scale. Our U.S. Docsis 3.0-enabled cable network can theoretically support download speeds of up to 300 Mbps with new CPEs and certain limited modification to network equipment, which will allow us to easily upgrade our services in the future. We currently provide our customers with options to purchase broadband Internet infrastructure access services with download speeds ranging from 5 Mbps up to 100 Mbps subject to certain time or data volume restrictions which are not currently enforced, although we reserve the right to restrict usage to prevent abuse, at competitive prices. Our customers can also choose from our triple-play and double-play packages which include broadband Internet infrastructure access services along with our television and fixed-line telephony services. As of March 31, 2013, we had approximately 774,000 RGUs to our broadband Internet infrastructure access service, an increase from approximately 752,000 RGUs as of December 31, 2010, representing approximately 65% of our Cable Customer Relationships and 40% market share of the broadband Internet infrastructure access market in Israel based on number of subscribers. The content of our main broadband Internet infrastructure access packages are summarized in the table below:

Download Speed/Upload Speed	Price per Month
100Mbps/2,000Kbps	NIS 139
30Mbps/1,500Kbps	NIS 109
12Mbps/1,000Kbps	NIS 79

Fixed-Line Telephony. We provide fixed-line telephony services using PacketCable™ technology on our secure cable network by offering individual lines to residential customers and to businesses as well as PRI trunks (consisting of up to 30 voice lines per trunk) to our business customers. We also provide business numbering services allowing for toll free calls from anywhere in Israel to 1-800 numbers and a split-billing calling service to businesses (1-700). In addition, our services include several ancillary value added features for end users such as caller identity, call waiting and call waiting with caller identity, follow me (a call forwarding service enabling the user to be reached at any of several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services. As of March 31, 2013, we had 684,000 RGUs to our fixed-line telephony service, an increase from 610,000 RGUs as of December 31, 2010, representing approximately 58% of our Cable Customer Relationships and a 20% market share of fixed-line telephony market in Israel based on number of subscribers.

We provide our fixed-line telephony services on a stand-alone basis or as a component of our triple-play and double-play packages allowing customers to choose from a range of pricing options based on their expected usage. We offer a fixed-line telephony package of 1000 free minutes to land line (calls to mobile not included) for NIS 59.

We seek to maximize the use of our own cable network when routing calls in order to minimize interconnection costs and capitalize on our control over quality of service. We have reciprocal interconnection arrangements with all the domestic telephony operators, international long distance operators and cellular operators in Israel pursuant to which we pay interconnection fees to such other service providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points. The Israeli Ministry of Communications is in the process of reviewing the interconnection fees paid to domestic fixed-line operators with the view to reduce such fees.

International Long Distance. Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long distance services, each of which require a separate license. On May 30, 2012, our subsidiary HOT Mobile International Communications Ltd ("Hot International") was granted a general international telecommunications service provider license, pursuant to which it is permitted to provide international long distance telephony services. We received operational approval on January 6, 2013 and began providing these services on January 8, 2013. We are required to interconnect with all fixed-line telephony service providers, including VoB service providers, and with all cellular operators, including MVNOs. In addition, we are required to procure an irrevocable right of use of an international transmission infrastructure for no less than a five year period, covering at least 25% of the projected traffic volume, based on Hot International's business plan. The license is valid until 2032 and may be extended by the Ministry of Communications.

Advanced Telecommunication Services. We provide a range of advanced telecommunication solutions to our business customers. We offer data and video transmission and VPN services to business customers and to other telecommunication providers using synchronous digital hierarchy SDH technology or IP technology. These services include network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the Internet and remote business access services.

ISP Service. In February 2012, we started providing ISP services to our customers under the HOTnet brand through our subsidiary, HOT Net. As a result, we are now in a position to provide a comprehensive range of telecommunication services generally required by residential customers. Unlike our competitors who generally offer ISP services at prices that increase depending on the access speeds desired by the subscriber, we offer our ISP services at NIS 20 per month irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently permitted to provide ISP services on a stand-alone basis and as part of a package with cellular services, and not as a part of our other multiple-play packages.

Cellular Services

We completed the acquisition of HOT Mobile, which was the fourth largest cellular operator in Israel, on November 28, 2011. Our cellular operations consist of our UMTS-based 3G cellular services which we provide under the "HOT Mobile" brand, making us the only participant in the Israeli telecommunications market that is currently able to market pay television, broadband Internet infrastructure access, fixed-line telephony and cellular services under a single brand, and our existing iDEN-based cellular services which we continue to provide under the "MIRS" brand. Due to current regulations, we currently offer our cellular services only on a stand-alone basis and, for a limited time, in a bundle with ISP services.

UMTS-Based 3G Services. In 2011, HOT Mobile was awarded additional frequencies under its cellular license enabling the provision of UMTS-based 3G cellular services, which we launched in May 2012 under the "HOT Mobile" brand. Our UMTS network is based on the HSPA+ technology and we believe that, when completed, it will be one of the most advanced nationwide networks in Israel. The roll out of our 3G cellular services has enabled us to compete effectively in the cellular services market in Israel as we are able to provide up-to-date services to customers, including faster data transmission services with a higher traffic capacity. Our customers also have the option of using a wider range of devices compatible with our network, including Android- based and Apple branded handsets. Consequently, we will also be able to expand the range of value-added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. We have entered into a three year agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we use Pelephone's in-country roaming services to service our customers while we build-out our UMTS network. This initial term of this agreement is scheduled to expire in December, 2014 with an option for us to extend for an additional three years). We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details, see "*—Material Contracts—Agreement with Pelephone and Vodafone relating to UMTS cellular roaming services*".

We currently offer to private subscribers unlimited local calls, text messaging and Internet access for an, what we believe, attractive and competitive monthly fixed-price as well as unlimited international calls to selected destinations for an additional fee. These fixed-line prices are subject to changes, predominately driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages, which charge customers on a per unit used basis. Our 3G services are targeted at post-paid subscribers who account for approximately 84% of the cellular market in Israel as of March 31, 2013 according to WCIS. Since the launch of our UMTS based 3G cellular services in May 2012, we added approximately net 482,000 UMTS RGUs as of March 31, 2013.

iDEN-Based Services. Historically, HOT Mobile provided cellular services using iDEN technology which enables the combination of regular cellular services such as incoming and outgoing calls with a push to talk ("PTT") or walky-talky service, the only cellular operator in Israel to do so. We continue to provide iDEN-based cellular services under the "MIRS" brand and as of March 31, 2013, we had approximately 276,000 RGUs who subscribed to this service, most of whom are business customers. We also provide our iDEN customers with data transfer, text messaging and international roaming services as well as various ancillary value added services such as call waiting, caller identity, conference calling, voicemail, navigation using GPS, e-mail and music RBT (ring back tone). We offer our iDEN based cellular customers mobile handsets compatible with iDEN technology. The handsets consist of a range of devices, from a basic device which only allows for making cellular calls, PTT calls and sending text messages to advanced Android-based devices. A substantial majority of our iDEN customers are post-paid subscribers.

We provide our 3G and iDEN cellular customers with roaming services enabling them to make calls while overseas. Due to the fact that devices using iDEN technology are not supported in many countries around the world (mainly in Europe), our iDEN customers travelling to such countries are required to use an alternate Global System for Mobile Communications ("GSM") compatible phone, which we provide to use our roaming services. We expect customers for our UMTS based 3G services will receive superior roaming coverage because UMTS technology is fairly common around the world.

Marketing and Sales

Cable Services

We combine the marketing and sales efforts for our pay television, broadband Internet infrastructure access, ISP services and fixed-line telephony services, which we offer under the "HOT" brand. Our marketing department is responsible for our strategic brand positioning and developing and monitoring our advertising campaigns. Our marketing strategy is based on increasing the penetration of triple-play services within our subscriber base, increasing distribution of television-based value added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multiple-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multiple-play packages. We target our marketing efforts primarily at residential customers in single dwelling units and multiple-dwelling units such as apartment buildings. We also market our services to institutional customers and businesses such as nursing homes, kibbutzim, governmental and administrative agencies, hospitals and hotels. We advertise our services through advertisements on commercial television, including on the HOT suite of channels and the DTT channels, as well through other advertisement channels such as newspaper advertisements, billboards and telemarketing. We contract with popular Israeli celebrities, including actors associated with local content that we broadcast, to market our services and increase customer awareness of the HOT brand.

We use a broad range of distribution channels to sell our cable-based services throughout Israel, including 35 dedicated sales booths owned by the Group and operated by external dealers (the "HOT Booths"), other dealer outlets, inbound and outbound telemarketing, and a door-to-door sales team. We have an in-house sales department for cable services, which is responsible for our sales, and we also hire external sales agents to facilitate our sales who earn a commission based on number of sales. Our largest distribution channel is telemarketing, while door to door sales and dealer sales also accounted for a significant portion of our sales.

Cellular Services

We combine the marketing effort and sales efforts for our 3G cellular services with our cable-based services. We market our 3G services to residential customers under the "HOT Mobile" brand, which allows us to leverage the brand recognition associated with HOT to our cellular services. We continue to market our iDEN based cellular services to business customers under the MIRS brand. We target our marketing efforts for our 3G services primarily at individual customers and our iDEN services primarily at institutional and businesses customers.

We use a broad range of distribution channels to sell our cellular services, with the majority of our sales through the HOT Booths and approximately 20 sales and service centers, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and Menta stores located at Delek gas stations, our HOT Mobile website and inbound and outbound telemarketing for which we share HOT's personnel. In the ultra orthodox sector, we market our cellular services through an external distributor. Additionally, we focus on recruiting individual customers through our business customers by offering attractive packages and plans to their employees.

Customer Contracts and Billing

Cable-Based Services

We typically enter into standard form contracts with our customers. We offer our residential customers commitment free contracts meaning that they can terminate the contract at any time without paying an exit fee. Our residential customers are charged a monthly fee based on our standard rates at the time of subscription, which includes a monthly rental fee for end-user equipment such as set-top boxes. We have recently implemented new regulations which require that the monthly fee for our pay television can only be collected at the end of the month for the services delivered during the preceding month. Previously we offered contracts with a duration of 18 months. Since January 2013, we have limited the duration of our contracts to 12 months. Although we are generally locked into the prices we offer for the entire duration of the contract, we are permitted to increase prices based on an increase of the CPI index used to measure inflation and in certain offers, we reserve the right to increase prices subject to certain terms. We review the standard rates for our services on an on-going basis. In addition to the monthly fees, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The price of our analog television services is subject to a maximum tariff, which is determined by the Israeli Broadcasting Council from time to time. Analog television accounted for 15,000 pay television RGUs as of March 31, 2013. The prices of our other cable-based services are subject to general oversight of the regulatory authorities, including notification requirements for price changes, but are not subject to a maximum tariff. Our contracts with business customers are generally not commitment free, provided the amount exceeds NIS 5,000 per month, and pricing is based on our standard rates for the services subscribed to or in certain cases on individually negotiated rates.

Our billing system for cable-based services has been developed by Convergys Solutions Limited (“Convergys”) and we receive certain consulting, support and maintenance services from Convergys. We offer our customers the choice between electronic and paper statements and the ability to pay by bank order or credit card. As of March 31, 2013, over 65% of our pay television, broadband Internet infrastructure access and fixed-line telephony customers had enabled credit card payments.

We monitor payments and the debt collection process internally. We perform credit evaluation of our residential and business subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co-operation with third-party collection agencies and pursuing legal remedies in certain cases.

Cellular Services

We typically enter into standard form contracts with our post-paid cellular customers. We offer our residential customers commitment free contracts meaning that they can terminate the contract without paying an exit fee at any time. We were among the first cellular operators in Israel to unbundle our services from the purchase of handsets by offering customers our 3G services on handsets of their choice which they need not have purchased from us. Our cellular customers are generally charged a monthly fee based on our standard rates at the time of subscription and a one-time fee relating to SIM cards, and if purchased from us, the sale of handsets which we do not subsidize.

Our billing system for our 3G cellular operations is an integrated billing and customer contact management system developed by Comverse Ltd. (“Comverse”). Our billing system for our iDEN cellular operations has been developed by Motorola Israel Ltd. We offer our residential customers the choice between electronic and paper statements and the ability to pay by credit card. As of March 31, 2013, over 93% of our UMTS cellular customers had enabled credit card payments. We work with our business customers to set up appropriate billing and payments processes.

We perform payment monitoring and collection and bad debt management activities for our cellular services that are similar to those undertaken for our cable services.

Customer Service

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer service function for our cable-based and cellular services is carried out by approximately 20 internal customer service centers located in Israel. We also provide our customers with access to a technical support help desk which operates at all times. Our institutional and business subscribers are served by a special business service and technical centers.

We have launched and implemented initiatives aimed at improving our customers' experience. These initiatives include enhanced Customer Relationship Management ("CRM") systems, which allow us to better manage new subscribers and identify and offer special retention packages to subscribers at risk of leaving.

We believe a large proportion of our customers are loyal to the HOT brand thereby reducing churn. As of December 31, 2012, approximately 62%, 46% and 34% of our pay television, broadband Internet infrastructure access and fixed-line telephony customers respectively have been our customers for over four years.

Competition

Pay Television

The pay television market in Israel is comprised of two players, with our only competitor being D.B. S. Satellite Services (1998) Ltd, an associate of Bezeq, which provides satellite technology based multi-channel television services under the "YES" brand. Market shares have been relatively stable over time between HOT and YES. As of March 31, 2013, we held a 61% market share in the pay television market in Israel based on number of subscribers compared to 60% as of December 31, 2010 and the market share of YES was approximately 39% as of March 31, 2013 compared to 39% as of December 31, 2010. Various other factors also have an impact on competition in the market, including the availability of free-to-air DTT channels and the increasing access to video content that may be offered via the Internet. In addition, we believe that the implementation of certain proposed regulatory changes may have an impact on competition in the market, including the proposed expansion of the number of free-to-air DTT channels and the increased scope of special broadcasting licenses pursuant to which we are required to broadcast television channels owned by special broadcasting license holders on our network. For further details, see "*Regulatory—Television*".

Broadband Internet Infrastructure Access

Broadband Internet infrastructure access services are provided exclusively by us, through our subsidiary HOT Telecom, and Bezeq, the only telecommunication operators in Israel that own a national network infrastructure. In addition to Bezeq, we also are required to offer our services to customers of all ISPs on equal terms. As of March 31, 2013, we held a 40% market share in the broadband Internet infrastructure access market in Israel based on number of subscribers compared to 41% as of December 31, 2010 and the market share of Bezeq was approximately 60% as of March 31, 2013 compared to 59% as of December 31, 2010. In addition, we believe that the implementation of certain existing and proposed regulatory changes may have an impact on competition in the market, including the policy introduced by the Israeli Ministry of Communications in order to create a wholesale market for broadband Internet infrastructure access services and the proposed creation of a public-private joint venture between the government-owned Israeli Electric Corporation ("IEC") and a private company to be selected, which, if successful, will utilize the electric transmission and distribution network in Israel owned by the IEC to provide broadband Internet infrastructure access and fixed-line telephony services. For further details, see "*Regulatory—Israeli Electric Company Infrastructure*". Although we do not currently consider cellular service providers as competitors for Internet services, we expect that the rapid development of cellular technology will result in the ability of cellular service operators to provide Internet services at increasing speeds to a variety of devices.

Fixed-Line Telephony

The largest player in the fixed-line telephony services segment by number of lines is Bezeq, the incumbent telephony services provider in Israel. Our other principal competitors are Partner Communications Ltd., which provides fixed-line telephony services under the ORANGE and 012 brand and Cellcom Israel Ltd., which provides fixed-line telephony services under the CELLCOM and NETVISION brands using voice over broadband ("VOB") technology over our and Bezeq's fixed-line network. As of March 31, 2013, we held a 21% market share of fixed-line telephony market in Israel based on number of subscribers compared to 18% as of December 31, 2010 and the market share of Bezeq was approximately 69% as of March 31, 2013 compared to 72% as of December 31, 2010. We believe that competition in this market will increase due to the low barriers to entry which exist primarily as a result of regulations pursuant to which new service providers who receive a license can provide fixed-line telephony services using VOB technology over the infrastructure network owned by either our Group or Bezeq for payment of only an interconnection fee. We also expect competition to increase following the commencement of operations by the proposed IEC joint venture, if successful. In addition, cellular services, including those offering advanced higher speed, higher bandwidth technologies and MVNOs contribute to the competitive pressures that we face as a fixed-line telephony operator.

Multiple-Play

We are currently the only provider of bundled triple-play services in Israel, which enable our customers to conveniently subscribe to pay television, broadband Internet infrastructure access and fixed-line telephony services together at attractive prices that are lower than the sum of the stand-alone services.

Our principal competitor for multiple-play services is Bezeq, which currently offers broadband Internet infrastructure access, ISP services and fixed-line telephony bundles at the same price for each service as offered on standalone basis and has the ability to provide triple-play bundles, including pay television services provided by an associate under the YES brand, although it is required to receive the consent of the Israeli Ministry of Communications prior to offering such triple-play bundles. In addition, Partner Communications Ltd and Cellcom Israel Ltd. provide multiple-play packages which include ISP, fixed-line telephony through VOB and cellular services at prices that are lower than the sum of the stand- alone services. We expect that the ability of our competitors, particularly Bezeq, to provide multiple-play packages as a result of regulatory changes and consolidation in the telecommunications industry could have a significant impact on competition for multiple-play and stand-alone services.

ISP

We commenced offering ISP services in February 2012 through our subsidiary, HOT Net. The principal ISPs we compete with are Partner Communications Ltd., which provides ISP services under the 012 SMILE brand, Cellcom Israel Ltd., which provides ISP services under the NETVISION brand and Bezeq, which provides ISP services under the BEZEQ BENLEUMI brand.

Cellular Services

Our principal competitors in the cellular services market are Cellcom Israel Ltd., which provides cellular services under the CELLCOM brand, Partner Communications Ltd., which provides cellular services under the ORANGE brand and Pelephone, a subsidiary of Bezeq, which provides cellular services under the PELEPHONE brand. As of March 31, 2013, we held approximately an 8% market share in the cellular services market in Israel based on number of subscribers and the market share of Cellcom Israel Ltd., Partner Communications Ltd. and Bezeq respectively was approximately 32%, 29% and 28%. In addition, we face competition from three active MVNOs that have entered the market, including Rami Levy which commenced operations in 2011 and had a market share of approximately 1% as of March 31, 2013. Only three of these MNVOs are currently active. We also compete with Golan Telecom Ltd. which launched its 3G services at the same time as HOT Mobile. We have experienced significant price competition with respect to our 3G services in recent periods. We believe that a variety of factors will serve to further increase competition in the market, including regulations that permit licensed MVNOs to provide cellular services under their own brand using the network infrastructure of another service provider for a reasonable fee with a view to creating a wholesale market for cellular services and the introduction of VoC technology which has been rolled out on an experimental basis.

Network

Cable Network

We provide our pay television, broadband Internet infrastructure access and fixed-line telephony services through our extensive fully-owned cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network passes most of Israel's 2.2 million households. The fiber rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper-based DSL networks. In particular, a fiber and coaxial cable offers a larger bandwidth than copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e., a reduction in the strength of the signal) or distortion (i.e., a reduction in quality of the signal) when the signal is carried over a long distance. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. In addition, our cable network backbone includes two national and regional strategically interconnected head-ends that enable transmission of signals over our cable network, 4 Nortel CS2000 telephony switches and an advanced Session Initiation Protocol ("SIP") switch which is used to create and control communication sessions over an IP network.

Our cable network is entirely bi-directional which enables us to deliver broadband Internet infrastructure access, fixed-line telephony and other interactive services such as VOD, to our customers throughout our cable network in addition to regular digital and analog television services. Our entire cable network is also U.S. Docsis 3.0 enabled allowing us provide ultra fast broadband Internet infrastructure access services at a download speed of up to 100 Mbps with limited or no degradation in speed throughout our network, which we believe is the fastest in Israel on a large scale and can support theoretical download speeds of up to 300 Mbps with certain limited modification to network equipment, which will allow us to easily upgrade our network to increase download speeds in the future. In 2011 and 2012, we also began selectively deploying FTTx network upgrades, which involves replacing existing copper wires used for local loop connectivity with optical fiber to reach the end user's street or home. We plan to continue the selective deployment of FTTx at our discretion which will enable an expansion in the traffic capacity over our cable network and improve our VOD services, increase the number of television channels we are able to offer and increase the speed of our Internet services.

Our cable network is fully owned by HOT Telecom. Part of our cable network runs through ducts and poles owned by Bezeq. We are party to certain continuing arrangements with Bezeq relating to the installation and maintenance of such parts of our cable network. We incurred total costs of NIS 43 million, NIS 46 million and NIS 48 million in 2010, 2011 and 2012 respectively for services provided by Bezeq under these arrangements. For further details, see "*—Material Contracts*".

Cellular Network

HOT Mobile historically provided cellular services using an iDEN-based cellular network infrastructure, which as of December 31, 2012 comprised of 640 network sites distributed throughout Israel providing nationwide coverage. In relation to the roll out of our UMTS-based 3G cellular services, we are in the process of building and expanding a UMTS network based on modern HSPA+ technology. We have committed to the State of Israel to achieve the following periodic coverage milestones for our UMTS network based on total Israeli population: by September 2013—coverage of 20% of the settled area of Israel and where at least 20% of the Israeli population is residing; by September 2015—coverage of 40% of the settled area of Israel and where at least 40% of the Israeli population is residing; by September 2016—coverage of 55% of the settled area of Israel and where at least 55% of the Israeli population is residing; by September 2017—coverage of 75% of the settled area of Israel and where at least 75% of the Israeli population is residing; and by September 2018—coverage of 90% of the settled area of Israel and where at least 90% of the Israeli population is residing and coverage of 90% of the roads in Israel. We plan to meet the UMTS network coverage requirements through a combination of modifying our existing cellular network sites by installing UMTS equipment enabling the use of the new frequencies and building new UMTS enabled sites. As of March 31, 2013, our UMTS network covered approximately 46% of the inhabited territory of Israel. We have entered into an agreement with Pelephone which is scheduled to expire in December, 2014 with an option for us to extend an additional three years) pursuant to which we use Pelephone's in-country roaming services to service our customers while we build-out our UMTS network. Currently, our UMTS network permits data transfer at speeds of up to 42 Mbps which we are seeking to increase to 84 Mbps in the future. In addition, if the Israeli Ministry of Communications tenders frequencies for LTE and if we acquire such frequencies, we believe that, because of our extensive fixed-line network and our 3.9 Ghz UMTS network, upgrading our cellular network to the 4G standard will involve significantly less capital expenditure than we incurred to roll out our 3G network because our cellular network infrastructure will require minimal upgrading as compared to some of our competitors and will allow us to more quickly market the newest LTE-based packages to our customers. The following table sets forth details regarding the spectrum allocated to us and our competitors for the provision of cellular services.

Service Provider	UMTS Bandwidth (Mhz)	GSM Bandwidth (Mhz)
Hot Mobile	850–2,100	
Pelephone	850–2,100	
Cellcom	850–2,100	1,800
Partner	900–2,100	900–1,800
Golan	850–2,100	1,800

We expect that the Israeli Ministry of Communications will tender LTE frequencies in the 1,800 Mhz and 2,500 Mhz range in next few years. A tender committee has been formed, but it has not yet published any tender. We understand that some of the relevant frequencies are used by the Israeli Ministry of Defense and may only be allocated for commercial use once the frequencies are released by the Israeli Ministry of Defense. In its draft economic plan published in March 2013, the Ministry of Finance directed the Israeli Ministry of Defense to accelerate the release of such frequencies, offering payment arrangements in exchange of the release.

Licenses

The telecommunications industry in Israel is highly regulated and requires service providers to obtain licenses from the Israeli Ministry of Communications with respect to each of the various telecommunication services before offering them to the public.

We provide our pay television services pursuant to a general cable broadcasting license granted to us by the Council of Cable and Satellite Broadcasting applying to all areas of Israel and a general cable broadcasting license applying to Judea and Samaria (the "Broadcasting Licenses"). Our Broadcasting Licenses are valid until 2017 and may be extended for periods of ten years at a time upon approval by the Israeli Ministry of Communications. We also have a special license for operating a broadcasting center which is valid until April 2017. We provide our broadband Internet infrastructure access and fixed-line telephony services pursuant to a general domestic operator license for the provision of inland stationary telephone services in Israel and a general license for provision of telecom services in Judea and Samaria (the "Fixed-Line Licenses"). Our Fixed-Line Licenses are valid until 2023 and may be extended for periods of ten years at a time upon approval by the Israeli Ministry of Communications. We provide our ISP services pursuant to a license to provide internet access services (the "ISP License"), which is valid until December 31, 2015 and may be extended upon approval by the Israeli Ministry of Communications. We provide our cellular services pursuant to a license to erect, maintain and operate a cellular network system and to provide cellular services (the "Cellular License"). The Cellular License was amended in September 2011 to add additional frequencies enabling us to create a UMTS network. The Cellular License with respect to the original frequencies which we use to deliver our iDEN based cellular services is valid until February 2016. For some frequencies our licenses expire in June 2013 and we have approached the Ministry of Communications to process their renewal. The Cellular License with respect to the additional frequencies which we utilize to provide UMTS based cellular services is valid until September 2031. The Cellular License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications. In addition, we have a general license for provision of international long distance ("ILD") telephony services which is valid until May 2032. For further details, see "*Regulatory*".

Suppliers

We have relationships with several suppliers that provide us with hardware, software and various other products and services necessary to operate our businesses.

Our key infrastructure, hardware and software suppliers for our pay television, broadband Internet infrastructure access and fixed-line telephony operations include Bezeq which provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles owned by Bezeq; Nortel and Bynet, which provide us with equipment and services relating to telephony switches; NDS Limited, which provides us with equipment and services related to unified encryption systems, Technicolor, which provide us with set-top boxes; Sagemcom, which manufactures an enhanced modem known as the HotBox on our behalf that combines the functionality of an Internet modem, telephony modem and wireless router; and Nagravision, which provides us with software for set-top boxes. We have entered into a number of reciprocal interconnection agreements with fixed-line telephony providers in Israel, cellular operators in Israel and internal long distance telephony operators. We have also entered into an agreement with Convergys in relation to certain billing related services for our cable services. In addition, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast independent Israeli and international channels on our network and content for our VOD service. We use a limited number of subcontractors to install broadband Internet, telephony and digital television equipment in customer homes. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by the subcontractor on a regular basis.

With respect to our cellular operations, we have engaged Nokia Siemens Israel Ltd. ("Nokia Siemens") as a turnkey contractor to plan and build the new UMTS network. We have entered into an agreement with Pelephone, which provides us with in-country roaming services for our 3G cellular operations and also have roaming agreements with several foreign cellular operators. We have agreements with various suppliers for the purchase of 3G compatible handsets. Comverse supplies us with certain services relating to an integrated billing and customer relation management (CRM) system for our 3G cellular operations. The main suppliers for our iDEN based cellular operations are Motorola Solutions, which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology and Motorola Mobility which manufactures end-user equipment for iDEN technology.

We are dependent on the following key suppliers: Bezeq, NDS Limited, Technicolor, Sagemcom and Nokia Siemens. We have entered into multi-year contracts with these suppliers for the provision of products and services. For further details, see "*—Material Contracts*". We believe that we are not dependent on any other supplier or the loss of any one other supplier would not have a material adverse effect on our business, and we could replace each of our other suppliers without materially disrupting our business. For further details, see "*Risk Factors—Risks Relating to Our Business, Technology and Competition—We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us*".

Material Contracts

The agreements described below are of material importance to our Group. The summary of each agreement set forth below is a summary of the material terms of such agreement as in effect as of the date of this Offering Memorandum.

Agreement with the State of Israel relating to ownership of our cable network

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B. S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi-channel television services under the YES brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning the cable infrastructure, such that our predecessor companies would hold all right and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to our Group as part of the Cable Consolidation, sets out a payment mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we are required to make annual payments to the State of Israel until January 1, 2015. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction. In each year ended December 31, 2011 and 2012, we paid the State of Israel over NIS 58 million under this agreement. We have provided a second-ranking floating charge over all of the assets of HOT to the State of Israel to secure our payment obligations under the agreement.

Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms

In relation to the addition of frequencies to our Cellular License enabling us to provide UMTS based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, which is payable in 2016 subject to the deductions set out below, we were required to provide the State of Israel a bank guarantee. Under the terms of the license, the remaining license fee will be reduced by one-seventh for every percent of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile will be calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of cellular subscribers in the private sector; (ii) the ratio of the number of outgoing cellular call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing cellular call minutes (including call minutes in the same network) by all cellular subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all cellular subscribers in the private sector. In April 2013 HOT Mobile received a notification from the Ministry of Communications clarifying the meaning of certain components of the market share calculation, namely "subscribers in the private sector", "number of outgoing cellular call minutes" and "revenues". The market share will be measured in September 2013 and September 2016. Three months after the second testing date, HOT Mobile will pay the remaining license fee, which will be the lowest fee as calculated on each of the testing dates. As a condition for such bank guarantee, HOT Mobile and HOT signed an irrevocable letter of undertaking in favor of the bank that issued the guarantee, which is secured by a pledge of all of the assets of HOT Mobile which HOT Mobile is permitted by law to pledge. In addition, we have agreed to indemnify the State of Israel for any monetary liability that it incurs as a result of our use of the cellular license and have entered into an insurance agreement to be insured for any such liability. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and $8.4 million (approximately NIS 31 million based on the exchange rate as of March 31, 2013) as surety for the compliance with the terms of our Broadcasting Licenses and Fixed-Line Licenses, respectively.

Agreements with Bezeq relating to installation and maintenance of portions of our cable network

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the Cable Consolidation. The agreements are valid until we have valid Broadcasting Licenses. For further details regarding the term of our Broadcasting Licenses, see "*—Regulatory—Television—Overview*".

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and new neighborhoods. Bezeq is permitted to terminate the agreement in case we breach the agreement and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12 year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 43 million, NIS 46 million and NIS 48 million in 2010, 2011 and 2012 respectively for services provided by Bezeq under these agreements.

Agreement with Nokia Siemens relating to installation of the UMTS network

In June 2011 we entered into an agreement with Nokia Siemens for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G cellular services to our customers. Under the terms of the agreement, Nokia Siemens has agreed to plan and erect the new network infrastructure on a turnkey basis. In the first stage completed in 2012, Nokia Siemens met its requirement to complete the network with coverage extending to 20% of the Israel population according to our cellular license requirements regarding the first check point. We estimate that the amount payable for all of Nokia Siemens' commitments will be approximately $52 million.

The agreement is for a term of 15 years. Nokia Siemens has agreed to provide certain warranties for the repair or replacement of network components that do not meet the functionality and capacity requirements established under the agreement. Nokia Siemens has also agreed to provide maintenance with respect to our cellular network. On January 31, 2013, the agreement with Nokia Siemens was amended to change payment terms of certain amounts due under the agreement.

Interconnection Agreements

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication, which is regulated by the Israeli Ministry of Communications. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into reciprocal interconnect agreements for our fixed-line telephony, cellular operations and ILD services with seven domestic fixed-line operators in Israel, four cellular operators in Israel representing all the major cellular operators and eight international long distance telephony operators. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. For the three months ended March 31, 2013, we incurred interconnection fees of NIS 124 million and received interconnection revenue of NIS 105 million.

Agreement with Pelephone and Vodafone relating to UMTS cellular roaming services

In November 2011, HOT Mobile entered into an agreement with the cellular operator Pelephone, a subsidiary of Bezeq, pursuant to which Pelephone agreed to provide domestic roaming services for 3G users to HOT Mobile and HOT Mobile agreed to exclusively purchase such services from Pelephone. The agreement, which is scheduled to expire in December 2014 with an option for us to extend for an additional three years, enables us to provide 3G cellular services to our cellular customers while we continue to build-out our UMTS network. The cost for the services provided by Pelephone is based on agreed rates and depends on the actual usage of Pelephone's cellular network by our 3G customers.

In addition, we have entered into a roaming agreement with Vodafone through which we receive roaming services for 3G around the world including approximately 500 cellular networks. We are also in the process of negotiating roaming contracts directly with individual cellular operators in various countries. Our roaming agreement with Vodafone enables our 3G cellular customers to access other cellular networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreement regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreement automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

We have also entered into international roaming agreements with various operators of GSM networks around the world, allowing our iDEN customers to make calls while overseas using a GSM compatible phone which we provide.

Agreement with NDS relating to purchase of a unified encryption system

In February 2007 we entered into an agreement with NDS Limited pursuant to which NDS Limited supplies certain software and services for the implementation of a unified encryption system which enables us to provide pay-television services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to customers and customers decrypt the signals using a set-top box which allows them to receive the pay programming offered. The agreement also requires NDS Limited to provide certain support and maintenance services related to the encryption system. The agreement is for a term of 10 years although we have the right to terminate the agreement with respect to the support and maintenance services after five years. In April 2011 the agreement was amended to expand the range of services to be provided by NDS Limited in order to include encryption systems for a new type of set-top box provided by Technicolor. We are required to pay NDS Limited an annual fixed amount for delivery of the encryption systems and related software licenses and provision of support services in addition to royalties and a fee for each set-top box with encryption technology. On February 17, 2013, HOT Telecom sent a notice of termination of the agreement to NDS Limited. The notice was sent in view of negotiations between the Group and the Cisco group, the parent of NDS Limited, regarding a new global contract. In response to the notice, HOT Telecom received a letter from NDS Limited on March 5, 2013 stating that it its view the agreement could not be cancelled before July, 2015. HOT Telecom is currently reviewing its options in relation to this agreement.

Agreement with Technicolor relating to purchase of set-top boxes

In October 2007 we entered into a memorandum of understanding with Technicolor for the purchase of set-top boxes manufactured by Technicolor. We formalized the understanding by entering into an agreement in 2009 and subsequently amended the agreement in June 2011 to include the purchase of set-top boxes that combine HD technology and recording capability functionality (known as the HD-PVR set-top box). Technicolor is responsible for the design, production and delivery of the set-top boxes and to ensure compatibility with the software developed for the HD-PVR set top-box. In consideration, we are obligated to pay Technicolor a fixed amount for each set-top box. The price of set-top boxes includes a warranty extending for three years covering the hardware and 12 months covering the software elements of the HD-PVR box. Technicolor is also required to provide hardware and software support and maintenance services after the expiry of the warranty period. The agreement is valid until May 2016.

Agreement with Sagemcom relating to purchase of equipment

In March 2011 we entered into an agreement with Sagemcom Broadband SAS for the development and purchase of a product which combines the functionality of an Internet modem, telephony modem and wireless router (known as the HOT Box). Under the terms of the agreement, Sagemcom has agreed to develop the product and to grant licenses to use the product software. In consideration, we are obligated to pay Sagemcom a fixed amount for each set top box. Sagemcom is also required to provide a warranty and maintenance services under the agreement. The agreement is for a term of four years and is automatically renewed for periods of one year at a time unless one party notifies the other of its intention to terminate the agreement upon expiry of the current term.

Agreement with Bezeq for the Provision of Transmission Services

In December 2012, an agreement was signed between HOT Mobile and Bezeq for the supply of various transmission services required for the purpose of providing radio cellular telephone services provided by HOT Mobile. The agreement's validity is for a period of five years from April 1, 2013. HOT Mobile is entitled to terminate the agreement upon 120 days' prior written notice subject to an early termination fee.

In exchange for all of the services provided to HOT Mobile by Bezeq, HOT Mobile agreed to pay Bezeq a total of approximately NIS 62.2 million which will be paid over the term of the agreement.

Agreement with Comverse

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd., pursuant to which Comverse would provide a BSS system (an integrated billing system with a customer contact management (CRM) system) and related hardware, software and services to HOT Mobile, including operation and maintenance of the CRM system. In exchange for Comverse's services, hardware and software, we agreed to pay a total of $12.5 million. The agreement is expected to be in effect for a period of approximately five years. In January 2012, the parties signed an addendum to this agreement, whereby Comverse committed to make seven additional employees available for the project (in lieu of the manpower that should have been made available for the project by us), against payment of $500,000.

Content Agreements

We are party to several contracts with both local and international content providers for the distribution of digital television channels. Different compensation models apply, including revenue-sharing models, and remuneration may be based on a fixed fee or upon numbers of subscribers. For the year ended December 31, 2012, we spent NIS 667 million in aggregate on local and international content for the distribution of television channels.

Our material content agreements include:

Agreement with Dori Media Spike Ltd. ("Dori")

In July 2007, we entered into an agreement with Dori, for the production of several broadcast channels. According to the agreement, Dori produces and supplies us with five movie channels that are not included in our base package (four of them in HD format), in addition to channels and services decided by us, including, as of the date of this Offering Memorandum, three series channels (one of them in HD format). The agreement, as amended from time to time, will expire at the end of December 2013. In consideration for the services, we undertook to pay Dori a fixed price as determined in the agreement. The parties have the right to terminate the agreement by giving advance notice and under the conditions set forth in the agreement.

Agreements with the Sport Channel Ltd. ("Sport Channel")

In July 2008, we entered into an agreement with the Sport Channel, according to which the Sport Channel undertook to produce a number of channels, to purchase content for the channels, to edit such content and prepare it for broadcast. According to the agreement, the Sport Channel provides us with a basic sport channel (a channel that is offered in our basic package), a pay channel and several more channels such as 5+ live channel, 5+ Gold channel and 5HD Sports. In addition, the Sport Channel undertook to produce and provide an interactive sports channel to us at no additional cost.

According to the agreement, the consideration to which the Sport Channel is entitled is a function of the number of subscribers watching the channels provided by Sport Channel on our cable network and the revenue we receive from such channels. With regard to the pay channel, the Sport Channel is entitled to a percentage of our revenue from such pay channel.

The agreement includes, among other things, sections regarding the responsibility of the sports channel as well as its undertaking to indemnify us in certain circumstances. The agreement shall expire at the end of June 2016, however, we are entitled to terminate the agreement earlier under certain circumstances, including for reasons of a substantial drop in the quality of the channels, the cessation of broadcast as a result of regulations and a substantial drop in the number of subscribers for the pay channel.

Agreement with Noga Communications (1995) Ltd ("Noga")

In December 2012, we entered into an agreement with Noga, which replaced our prior agreement with Noga, pursuant to which Noga will continue to produce and supply broadcast channels. In consideration for the services, we have agreed to pay Noga a fixed amount for the production and supply of the channels and an additional fixed amount to be used for local production of content. The agreement expires on December 31, 2015.

Seasonality

Although our businesses are not subject to significant seasonal effects, revenue from our content operations tends to increase during the second and third quarters as a result of the holidays in Israel. Revenue from our pay television, broadband Internet infrastructure access and fixed-line telephony operations tend to be slightly higher in the second half of the year.

Intellectual Property

Trademarks

We use a variety of trade names and trademarks in our business, including our denominative trademark "HOT" and the name of certain of our services and channels such as 'HOT", "VOD Young", "3 ערוץ" "HOT 1" "HOT 2" "HOT 3", "TOO HOT", "סרטים HOT", "אינסופי HOT VOD", "HOT Mobile" and "UFI". All of our trademarks are protected in Israel.

Copyrights

We license some of our television programming content for the HOT suite of channels from third-party content providers. We also enter into license agreements with producers of independent channels which we broadcast over our network. In addition, we have entered into agreements with two authors' right societies in Israel, namely AKUM Association of Music Composers, Writers and Producers in Israel Ltd. (AKUM) and Israel Screen and Television Artists Royalties Company Ltd (TALI). We entered into agreements with AKUM in 2011 following an arbitration proceeding initiated by AKUM to resolve the mechanism for calculating annual royalties for the use of works whose rights are protected by AKUM. Under the present arrangements which are valid until 2016, we have a license to broadcast works whose rights are protected by AKUM in consideration for which we have agreed to settle all of AKUM's claims from 2003 until 2010 with respect to past royalties and have also agreed on royalty rates for 2011 to 2016. In 2011, we signed an agreement with TALI providing for the payment of royalties between 2003 and 2014.

Employees

As of March 31, 2013 we had an aggregate of approximately 4,804 employees.

Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration.

None of our employees currently belong to organized unions and works councils. There can be no assurance that our employees will not form unions in the future. We are currently party to legal proceedings relating to the recognition of the workers' union as a negotiating unit. The hearing has been concluded and the parties have been asked to prepare their final summations. Certain of our subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that our employee relations are good. We provide retirement benefits to our employees as required by Israeli law by means of a contributory pension fund to which we are required to contribute an amount equal between 4.16% to 8.33% of an employee's basic salary. In 2012 we funded NIS 20 million to the pension fund.

Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, cellular network sites, hubs, switches and head-end sites. Our main corporate offices are located at Yakum and Airport City both located in proximity to Tel Aviv and our main customer service centers are located at Neshar, Yakum and Beersheva. We believe that our properties meet their present needs and are generally well—maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises. In the first quarter of 2013, HOT Mobile vacated its office building in the Airport City.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our cellular services. While we could incur costs, such as clean-up costs, fines and third-party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks.

Insurance

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. We also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including comprehensive third party liability, products liability & professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have a directors' and officers' liability insurance policy for all members of the management board.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the pay television business (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage. We do not insure against war and terrorism risks, which we believe are covered by the Property Tax and Compensation Fund Law, 1961.

Legal Proceedings

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. In light of the nature of our business, a majority of these legal proceedings are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers and claims by employees.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. Other than as discussed below, we do not expect the legal proceedings in which we are involved, or with which we have been threatened, to have a material adverse effect on our business or consolidated financial position. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard. For details regarding provisions recorded in HOT's financial statements relating to such legal proceedings, refer to note 3 in the unaudited consolidated interim financial statements of HOT and its subsidiaries as of and for the three months ended March 31, 2013 and note 25 to the audited consolidated financial statements of HOT and its subsidiaries as of and for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

Warner Brothers Litigation Relating to a Breach of Contract

In December 2002, Warner Brothers International Television Distribution ("Warner"), a division of Time Warner Entertainment Company L.P., filed a claim against Golden Channels & Co. Partnership ("Golden Channels"), a wholly-owned subsidiary of HOT, in the Los Angeles District Court alleging a breach of the terms of the license agreement pursuant to which Warner provided content and other broadcasting rights to Golden Channels. In September 2004, the Los Angeles District Court ruled in favor of Warner and awarded damages of approximately $21.7 million, which included compensation for future revenue for the entire period of the original license agreement notwithstanding that Warner cancelled the agreement in December 2002. Golden Channels filed an appeal in the California Court of Appeals, which, in an April 2008 ruling, determined that Golden Channels had not breached the terms of the license agreement and overturned the decision of the Los Angeles District Court, reversing and remanding so that the Los Angeles District Court can make a damages determination based on Warner getting paid whatever was due to Warner from Golden Channels under the license agreement for the performance it had rendered through December 9, 2002. In proceedings before the Los Angeles District Court relating to this issue, Warner has claimed that it is entitled to amounts of up to $104 million (exclusive of interest and attorney fees) for copyright infringement, which is significantly higher than the amount originally claimed. Golden Channels has contested these claims and denied that any amounts are owed to Warner. On January 18, 2013, the Los Angeles District Court ruled in favor of Golden Channels and determined that Golden Channels had no further payment obligation to Warner and that Warner had received all payments to which it was entitled from Golden Channels.

AGICOA Litigation Relating to Copyright Infringement

In March 2000, the Association for the International Collective Management of Audiovisual Works ("AGICOA"), a society engaged in the collection and distribution of payments of royalties to the producers of audiovisual works, initiated legal proceedings in the Central District Court against HOT relating to a copyright infringement claim, seeking monetary damages of approximately $20 million. In September 2010, the court ruled in favor of AGICOA and instructed HOT to pay damages of approximately NIS 10 million plus linkage differences, interest from the date of filing the claim and plaintiff's expenses and attorney fees. Appeals were filed by both parties to the Supreme Court regarding the ruling. The proceeding is still pending.

Other Material Litigation

In March 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court regarding an alleged breach of provisions of the Communications Law regarding the disconnection of subscribers from its services. The applicant has claimed damages of NIS 105 million. As of the date of this Offering Memorandum, a settlement agreement including a contribution to the community valued at NIS 7.5 million and certain benefits to subscribers was filed to the Central District Court but has been denied by the Central District Court. A motion to appeal on the same decision was filed to the Supreme Court. The matter is still pending.

In June 2010, a suit seeking certification as a class action was filed against us in the Tel Aviv District Court, relating to alleged breach of certain provisions of the Communications Law when sending short message service (SMS) notices, which included advertising material to some of our subscribers' without receiving such subscribers' prior consent. The applicants estimates damages in the suit of no less than NIS 754 million. The matter is still pending.

In October 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees in respect of the month in which the company's services were provided to subscribers, rather than charging at the following month. The applicant has estimated damages in the suit of NIS 433 million. The matter is still pending.

In February 2011, a suit seeking certification as a class action was filed against HOT by two applicants to the Central District Court, relating to alleged breaches of certain subscribers' agreements by increasing the price of services to subscribers, including alleged misleading of subscribers when increasing the prices of services. The applicants estimated damages in the suit of NIS 666 million. The matter is still pending.

In March 2012, a suit seeking certification as a class action was filed against HOT to the Haifa District Court. The applicant claims, *inter alia*, that HOT acted unlawfully when it did not pay CPI linkage differentials and interest to disconnecting subscribers with respect to the period beginning on the disconnection date until the refund date. The applicants estimate damages of approximately NIS 112.4 million. The matter is still pending.

In April 2012, a suit seeking certification as a class action was filed against HOT and against HOT Telecom in the Tel Aviv District Court regarding alleged breach of certain provisions of the law regarding the supply of frontal services. The applicant has claimed damages in the suit of NIS 186 million. The matter is still pending.

In June 2012, a suit seeking certification as a class action was filed against HOT in the Jerusalem District Court relating to an alleged misleading of its "HOT Mega" package subscribers. The applicant estimates damages of NIS 240 million. The matter is still pending.

In August 2012, a suit seeking certification as a class action was filed against HOT in the Tel Aviv District Court relating to alleged misleading of subscribers with respect to the functionality of HOT Magic HD set-top boxes. The applicant estimates damages of NIS 115 million. The matter is still pending.

In September 2012, a suit seeking certification as a class action was filed against HOT and HOTnet in the Tel Aviv District Court relating to alleged breach of the law by sending its fixed-line subscribers from the private sector telephone bills with insufficient details. The applicant estimates damages of NIS 101 million. The matter is still pending.

On November 20, 2012, a purported shareholder of HOT filed a suit seeking certification as a class action against Cool Holding, the HOT Minority Shareholders, HOT and members of the board of directors of HOT in the Economic Division of the Tel Aviv District Court. The suit claims that, among other things, the consideration for the Take-Private Transaction has been allocated in a manner that prejudices the public shareholders of HOT, by providing the HOT Minority Shareholders with consideration in excess of the consideration received by the other public shareholders and that certain conflicts of interest existed. The suit calls for the parties other than HOT to reallocate the consideration, in a manner that would result in the public shareholders (other than the HOT Minority Shareholders) whose shares of HOT will be acquired in the Take-Private Transaction receiving an additional aggregate amount in excess of NIS 54 million. A similar claim, also seeking certification as a class action, was filed on behalf of another purported shareholder on November 26, 2012 challenging the allocation of consideration in the Take-Private Transaction, alleging that the share price in the transaction is unfair and asking the court to appoint an expert to determine a fair price; this claim seeks total damages of up to NIS 195 million. The matter is still pending.

On March 3, 2013, a suit seeking certification as class action was filed against HOT in the Tel-Aviv District Court. The applicant claims that HOT has unlawfully charged its subscribers with linkage payments. The total amount of the claim is estimated by the applicant to be NIS 213 million. The matter is still pending.

BUSINESS, INDUSTRY AND MARKET OVERVIEW OF CODITEL AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CODITEL

The following discussion and analysis is intended to assist in providing an understanding of Coditel's financial condition, changes in financial condition and results of operations and should be read together with the following financial statements included elsewhere in this Offering Memorandum: (i) the audited consolidated annual accounts of Coditel Holding as of December 31, 2012 and 2011 and for the year ended December 31, 2012 and the period from August 1, 2011 to December 31, 2011, including the accompanying notes, prepared in accordance with Luxembourg GAAP, (ii) the audited financial statements of Coditel Brabant S.p.r.l as of July 31, 2011 and for the period from January 1 to July 31, 2011, including the accompanying notes, prepared in accordance with Belgian GAAP, (iii) the audited annual accounts of Coditel S.à r.l. as of July 31, 2011 and for the period from January 1 to July 31, 2011, including the accompanying notes, prepared in accordance with Luxembourg GAAP and (iv) the unaudited interim consolidated financial information of Coditel Holding S.A. as of and for the three months ended March 31, 2013 and March 31, 2012 prepared in accordance with the recognition and measurement criteria of Luxembourg GAAP. These financial statements may differ from the financial data presented in this section on which the discussion and analysis of the financial condition and results of operations of Coditel are based. See "—Basis of Presentation". Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of certain important factors to be evaluated in connection with a prospective purchase of Notes. In this section only, (i) references to 'we', 'us', 'our' and the 'Company' refer to the Group, (ii) references to 'Coditel Belgium' are to Coditel Brabant S.p.r.l, (iii) references to 'Coditel Luxembourg' are to Coditel S.à r.l., and (iv) references to 'Coditel' may be to Coditel Holding S.A. or, collectively, Coditel Holding S.A. and its subsidiaries, as the context requires.

Business Overview

Coditel is a leading triple-play service provider in Belgium and in Luxembourg offering analog and digital cable television (including HD, 3D video on-demand and catch-up television), high-speed broadband Internet and fixed-line telephony services primarily to residential subscribers. Coditel combines its services into packages, or bundles, which offer subscribers the ability to purchase television, broadband Internet and fixed-line telephony services from a single provider at an attractive price. Coditel is also a growing provider of cellular services having launched cellular services in Belgium in September 2012, enabling it to provide quadruple-play services to subscribers. In addition, Coditel offers telecommunications services (including dark fiber, Internet links and other network services) to telecommunications operators, financial institutions, public service customers and multinational companies primarily in Luxembourg. Coditel's services are provided under the "Numericable" brand name.

Coditel is the sole cable operator within its network areas. As of March 31, 2013, Coditel's Hybrid Fiber-Coaxial, or HFC, cable network passed 191,000 homes in Brussels (covering approximately 33% of Brussels by homes passed) and 42,000 homes in Luxembourg (covering approximately 26% of Luxembourg by homes passed). Coditel's entire cable network in Brussels and Luxembourg is fully bi-directional and is EuroDocsis 3.0-enabled. Coditel provides cellular services utilizing the cellular network of Mobistar in Belgium (the second largest cellular service provider in Belgium) pursuant to mobile virtual network operator (MVNO) agreements.

Coditel provides the following products and services:

- *Multiple-play.* As of March 31, 2013, approximately 42% of Coditel's Cable Customer Relationships, subscribed to its triple-play services, consisting of the television, high-speed broadband Internet infrastructure access and fixed telephony services described below and approximately 1.4% of Coditel's Cable Customer Relationships, subscribed to its quadruple-play services, which Coditel began offering following the launch of its cellular services. Coditel has enhanced its multiple-play offers through additional channels, 3D and VOD services. In Belgium, Coditel also caters to the specific requirements of certain ethnic populations through "ethnic" triple play packages targeted at certain ethnic minorities, including the Turkish and Moroccan populations.

- *Pay Television.* Coditel offers subscribers analog and digital television services. Digital television services include both basic and premium services. Subscribers to Coditel's basic digital television service can choose from a range of approximately 130 digital television channels in Brussels and approximately 110 in Luxembourg and are also able to access certain premium content and interactive services, such as VOD and catch-up TV. Coditel's premium television service provide customers a wider range of digital premium channels, together with certain optional interactive features such as VOD, access to additional HD channels and HD premium content and certain other premium services. Coditel's premium television content includes exclusive rights to telecast football matches from the Belgian league in its network area and also includes programming from Groupe Canal Plus, NBC Universal, MGM, Walt Disney Company, Fox

Channel, BBC, Lagardère, Group AB, TF1 or BeTV. As of March 31, 2013, Coditel provided cable television services to approximately 133,000 RGUs, of which 110,000 were in Brussels and 23,000 were in Luxembourg. Those residential and bulk subscribers represented approximately 57.6% and 55.4% of homes passed by the Coditel network in Brussels and Luxembourg, respectively. The proportion of analog subscribers to total television subscribers has been diminishing quickly over the last several years (from 97% in 2005 to 27% in 2012) as Coditel has encouraged analog subscribers to migrate to the more attractive digital product offering, which even in its basic format provides subscribers with access to additional television channels and more services. Coditel's cable television, including digital and analog, ARPU was €22.9 for the three months ended March 31, 2013 and €22.5 for the year ended December 31, 2012.

- *Broadband Internet.* Coditel is a leading provider of residential broadband Internet services within its network areas in Belgium and Luxembourg. As of March 31, 2013, Coditel provided broadband Internet services to approximately 55,000 RGUs, of which 46,000 were in Brussels and 9,000 were in Luxembourg. Those residential subscribers represented approximately 24.1% and 21.3% of homes passed by the Coditel network in Belgium and Luxembourg, respectively.

- *Fixed-Line Telephony.* Coditel offers its residential subscribers local, national and international long distance fixed-line telephony services and a variety of value-added telephony features. Within Coditel's network areas in both Brussels and Luxembourg, Coditel is currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg, due in part to the emphasis on customer service and innovative flat rate tariff plans and triple-play packages. Coditel uses Voice over Internet Protocol, or VoIP, technology which utilizes the open standards EuroDocsis protocol, and through which it is able to provide both Internet and telephony services. As of March 31, 2013, Coditel provided fixed-line telephony services to approximately 53,000 residential RGUs, of which 45,000 were in Brussels and 8,000 were in Luxembourg. Those residential subscribers represented approximately 23.6% and 18.5% of homes passed by the Coditel network in Belgium and Luxembourg, respectively.

- *Cellular.* Coditel began providing cellular services in Belgium in September 2012. Coditel offers cellular subscribers a variety of packages including packages with unlimited national calls, texts and Internet usage. As of March 31, 2013, Coditel had approximately 2,000 cellular RGUs.

- *B2B.* Coditel offers a range of dark fiber, Internet links and other high-margin fiber-based network services to telecommunications operators, financial institutions, public service customers and multinational companies, primarily in Luxembourg. Coditel's customers include Telenet and Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police. For the three months ended March 31, 2013, B2B represented 9.7% of Coditel's revenues.

For the year ended December 31, 2012, Coditel's revenues were €74,160 thousand and the Coditel Adjusted EBITDA was €46,920 thousand. For the three months ended March 31, 2013, Coditel's revenues were €18,543 thousand and the Coditel Adjusted EBITDA was €11,728 thousand. The following table presents a reconciliation of Coditel Adjusted EBITDA to net income (loss) for the respective periods.

	For the twelve months ended December 31,		**For the three months ended March 31,**	
	2011	**2012**	**2012**	**2013**
	(€ in thousands)			
Coditel Adjusted EBITDA[(1)]	41,554	46,920	11,857	11,728
Management Fees[(2)]	(3,828)	(1,941)	(480)	(486)
Other (revenue)/expenses, net	(1,135)	(1,116)	(96)	(264)
Depreciation and amortization	(11,272)	(11,142)	(2,283)	(1,962)
Financing expenses, net	(15,296)	(45,975)	(11,150)	(11,482)
Income tax (expense)/benefit	(4,669)	(2,209)	(110)	(893)
Net income (loss)	5,354	(15,463)	(2,262)	(3,359)

[(1)] Coditel Adjusted EBITDA represents net income before net financing income, taxes on income, depreciation and amortization, and before management fees and other (revenue)/expenses, net. Coditel Adjusted EBITDA is an additional measure used by management to demonstrate its underlying performance and should not replace the measures in accordance with applicable accounting standards as an indicator of its performance, but rather should be used in conjunction with the most directly comparable accounting measure.

[(2)] Reflects management fees paid to (i) Coditel's current shareholder, Altice VII (after June 2011), and (ii) Coditel's prior shareholder (prior to June 2011).

Belgium

We believe that Belgium is one of Europe's most attractive cable markets due to, among other things, a relatively high population density and cable penetration rate and a highly productive work force, generating high GDP and high exports per capita. The population density of Belgium reached 365 inhabitants per square kilometer in 2012, one of the highest in Europe, according to Euromonitor International, and is exceeded only by that of The Netherlands and some microstates such as Malta. Belgium is one of the most prosperous countries in Europe, according to Eurostat data, with a GDP per capita of approximately $37,987 in 2012 compared to a Western European average of $32,490 for the comparable period. As at December 31, 2012, Belgium had an estimated 95% penetration rate in pay television, significantly above the Western European penetration rate of 58%, according to IHS. Cable has historically enjoyed significant market share due to the deployment of cable in Belgium as early as the 1960s. Cable captured 71% of the pay television market as at December 31, 2012, followed by IPTV (25% market share) and satellite (4%), according to IHS. The Belgian media and telecommunications sector has been converging as customers are increasingly seeking to receive their media and communications services from one provider at attractive prices. In response, service providers are providing television, broadband Internet access and fixed-line telephony services bundled into integrated offerings referred to as "dual-play" (two of the three services provided together) or "triple-play" (all three services provided together). The addition of mobile telephony services further gives rise to "quad-play" offerings.

Competition in the pay television market is currently limited, due to a lack of overlap among cable operators. Telenet operates predominantly in Flanders, VOO in the French-speaking part of Belgium and Coditel in Brussels (with Telenet and VOO also present in the capital). Belgacom, through its DSL-based network, is the only operator that offers national coverage, although it currently has an inferior ability to provide a good quality pay television product via IPTV technology when compared to cable players who have already upgraded their networks to EuroDocsis 3.0 throughout Belgium. Currently, Telenet, Belgacom and VOO have pay television subscription market shares of 44%, 24% and 21% respectively according to IHS, while Coditel has a 3% market share nationally but a blended Belgium/Luxembourg 57% market share within its footprint, according to management estimates. The importance of cable operators in pay television may be affected going forward by changes to the regulatory regime allowing third-party access to cable networks, with wholesale offers required to be in place by autumn 2013, although such wholesale access would, if implemented, provide cable operators with stable, albeit somewhat lower, wholesale revenues. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content. This together with the reach of its network across Belgium is likely to help Belgacom increase its strength going forward. A competitive presence in the Belgian television market, although smaller compared to cable, is satellite television, which can be divided into two types of access: (i) "free-to-air" satellite and (ii) paid satellite television. In addition, certain operators in the Belgian market deliver television services via DTT, allowing customers who purchase the necessary equipment to watch television in areas where cable connection is difficult or impossible.

Broadband access in Belgium is well established, with penetration rates higher than in most other major European markets (67% penetration, compared to 62% in Western Europe, according to IHS). DSL (predominantly offered by Belgacom) is the leading broadband internet access platform in Belgium, with approximately 51% of the total broadband internet market, with cable taking up the remaining 49%, according to IHS. Fiber-to-the-home (FTTH) is yet to be widely deployed in Belgium, as this technology is capital–and time-intensive, requiring significant digging and re-wiring. While FTTH needs to make heavy investments to catch up, we believe that greater speed of cable and higher reliability in delivering promised speeds to subscribers as compared to DSL has contributed to cable overtaking DSL in Flanders and certain other areas of Belgium. The largest operators are Belgacom (45%), Telenet (37%), VOO (7%) and Coditel (2% nationally and 24% within its footprint, according to IHS and management estimates). In addition, the increased download speeds offered by mobile internet technologies such as the established high-speed package access and the emerging LTE technology have presented a viable alternative to DSL and cable. Although penetration of mobile broadband is currently still low in Belgium, it has been growing strongly on the back of a larger share of smartphones sold. As at December 2012 mobile broadband penetration in Belgium reached approximately 55% of the total population compared to approximately 15% as at March 2011, according to WCIS.

Fixed Telephony penetration was 67% in 2011 according to Telegeography, in what can be considered a mature market that has seen declines year on year, in line with other Western European markets. The incumbent, Belgacom (75% market share, according to IHS) has been losing market share in recent years particularly to cable operators and other access technologies, such as VoIP while Telenet and Coditel, according to IHS, have market shares of 16% and 1%, respectively. According to management estimates, Coditel has a 23% market share within its Belgium/Luxembourg footprint. Telephony is also increasingly bundled together with other fixed-line products rather than sold as a standalone service. This explains the rise in market share in telephony of players such as Telenet, with its wide range of multi-play offerings.

The Belgian mobile telephony market is valued at approximately € 3.0 billion based on data gathered by the BIPT as of and for the year ended December 31, 2012. Hence, the Belgian mobile telephony market is approximately equivalent in size to the national fixed-line telephony and broadband markets. The Belgian mobile telephony market is advanced with an estimated active penetration rate of 111% at the end of 2012 according to the BIPT. In 2012, the total number of registered SIM cards in Belgium decreased 0.5% as compared to the prior year period to 12.3 million (including mobile virtual network operators (MVNOs)), equivalent to 1.23 SIM cards per inhabitant. For a long time, the Belgian mobile telephony market has been a three player market, dominated by Belgacom, and challenged by Mobistar and BASE. According to the BIPT, Belgacom had an estimated national market share of 40.3% in terms of active mobile subscribers at the end of 2012, followed by Mobistar (30.9%) and BASE (24.6%). In recent years, however, the number of MVNOs in the Belgian market has increased steadily, reaching approximately 1.9 million subscribers at the end of 2012 according to data gathered by the BIPT, an increase of 27% as compared to the prior year.

Triple-play products are offered by all of the main cable operators (Telenet, VOO and Coditel), as well as the incumbent, Belgacom. Belgacom has also invested significantly in upgrading to VDSL and adding other services (e.g. WiFi hotspots), in order to better compete with cable operators on fixed-line bundle offerings, as the higher quality of cable operators' network has meant that Belgacom has lagged behind, both in terms of convergence and ability to capture growth. Quadruple-play products are also becoming increasingly popular, with already successful MVNO strategies deployed by cable operators such as Telenet and Coditel.

Belgium enjoys a high GDP, as well as positive demographics, with the population expected to grow at a CAGR of 0.8% and GDP at 1.0% over 2013-2016, according to Euromonitor International, OEDC and Goldman Sachs Research data. This together with the resilience of the Belgium economy during the economic downturn and high presence of expatriates and foreign communities is driving the uptake in bundled projects, as well as supporting ARPU. These positive trends make Belgium a very attractive market in which to operate.

Luxembourg

As at December 31, 2012, Luxembourg had an estimated 75% penetration rate in pay television, according to IHS. Cable captured 84% of the pay television market as at December 31, 2012, followed by IPTV (16%), according to IHS. The largest player in pay television subscriptions is Eltrona (33%), followed by Coditel (19% nationally and 57% within its Belgium/Luxembourg footprint) and P&T (16%), as at December 31, 2012, according to IHS and management estimates. Importantly, due to P&T's significant market power across fixed-line in Luxembourg, it is prohibited from bundling its TV offering with its broadband and telephony services. Only Eltrona and Coditel, together with some smaller operators, are able to offer triple-play bundles.

Broadband access is well established with a penetration of 86% as at December 31, 2012, among the highest in Western Europe, according to IHS. DSL is the leading broadband internet access platform, capturing approximately 76% of the total broadband market, followed by cable with 20% market share as at December 31, 2012, according to IHS. P&T, the incumbent, is the largest player, capturing 59% market share, followed by Belgacom (13%), Eltrona (6%) and Coditel (6% nationally and 24% within its Belgium/Luxembourg footprint), as at December 31, 2012 according to IHS and management estimates. There is increasing pressure from consumers for greater speed and lower prices, in particular as Luxembourg is the only country in the EU where the regulator does not fix wholesale prices for DSL access, enabling P&T to dictate the terms. Furthermore, the government announced plans in 2010 for FTTH to be implemented nationally and to provide at least 100Mbs connectivity by 2015. In practice, P&T is the only operator able to undertake these investments, leading the regulator to put in place measures guaranteeing access to fiber infrastructure for alternative operators. Despite these developments, FTTH deployment remains very limited.

Telephony penetration is high, estimated at 141% as at December 2011 by Telegeography. P&T is the largest provider of fixed-line telephony in the Luxembourg market, with 91% market share, according to Telegeography.

Similar to Belgium, Luxembourg enjoys a high and stable GDP (GDP CAGR of 1.7% over 2013-2016, according to Euromonitor International), as well as positive demographics (population CAGR of 1.3% over 2013-2016, according to Euromonitor International) and a significant number of expatriates and foreign communities. This together with Luxembourg's topology and high population density, make it a very attractive market in which to operate.

Key Operating Measures

Coditel uses several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of its business. None of these terms are measures of financial performance under IFRS or Luxembourg GAAP, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from Coditel's internal operating systems. As defined by Coditel's management, these terms may not be directly comparable to similar terms used by competitors or other companies. As ARPU varies considerably for Coditel's different services, RGU growth is not necessarily indicative of the overall development of Coditel's business and results of operations.

	As of and for the year ended December 31,		As of and for the three months ended March 31,
	2011	2012	2013
Coditel Summary Statistical and Operating Data			
Homes Passed[(1)]	213,000	233,000	233,000
Customer Relationships			
Cable Customer Relationships[(2)]	117,000	120,000	118,000
Cable Revenue Generating Units (RGUs)[(3)]			
Digital Television RGUs	102,000	99,000	97,000
Analog Television RGUs	33,000	38,000	36,000
Total Television RGUs	135,000	136,000	133,000
Broadband Internet RGUs	54,000	55,000	55,000
Fixed-Line Telephony RGUs	52,000	53,000	53,000
Total Cable RGUs	241,000	244,000	241,000
Cable RGUs per Cable Customer Relationship (in units)	2.07	2.03	2.05
Cellular Revenue Generating Units (RGUs)			
Total Cellular RGUs[(4)]			2,000
Cable Services Penetration			
Television RGUs as % of Homes Passed	63%	58%	57%
Broadband Internet RGUs as % of Homes Passed	26%	24%	24%
Fixed-Line Telephony RGUs as % of Homes Passed	24%	23%	23%
Cable Customer Bundling			
Triple-Play Customer Relationships as % of Cable Customer Relationships	42.0%	41.5%	42.4%
Churn[(5)]			
Churn in Television RGUs	14.2%	16.1%	21.2%
ARPU[(6)]			
Cable based services ARPU (in €)	36.7	39.5	41.5
Television ARPU (in €)	20.1	21.9	22.9

[(1)] The number of homes passed includes the number of rooms, apartments or housing units in each of the hotels, hospitals, social housing or other multiple dwelling housing units Coditel serves with its bulk contracts in Brussels and Luxembourg.

[(2)] Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of Coditel's cable based services (including pay television, broadband Internet infrastructure access or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premise or homes passed basis. Cable Customer Relationships does not include subscribers who subscribe only to Coditel's cellular services or B2B service subscribers.

[(3)] RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

[(4)] Cellular RGUs is equal to the net number of lines or SIM cards that have been activated.

[(5)] Churn is calculated by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription by Coditel) by the average number of RGUs for such service. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two. For the three months ended March 31, 2013, the churn shown is the annualized churn, calculated by multiplying the churn for the three months ended March 31, 2013 by four.

[(6)] ARPU is an average monthly measure that Coditel uses to evaluate how effectively it is realizing revenues from subscribers. ARPU is calculated by dividing the revenue for the service provided (including revenue earned from set-top box rentals, VOD and interconnection, but excluding installation fees and set-top box sales), in each case including the proportional allocation of the bundling discount, and after certain discounts, for the respective period by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two.

Subscribers and RGUs

As of March 31, 2013, Coditel had approximately 118,000 Cable Customer Relationships, which represented an increase of approximately 1,000 Cable Customer Relationships compared to December 31, 2011. In the fourth quarter of 2012 Coditel was granted a concession by AIESH, a Belgian municipality, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network, which resulted in an increase in Coditel's total Cable Customer Relationships. The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. Coditel plans to upgrade the AIESH network, which it expects to complete by in the third quarter of 2013, and convert the analog customers served by the upgraded AIESH network into digital customers over time. As of March 31, 2013, the AIESH concession represents approximately 12,400 Cable Customer Relationships.

Coditel's total number of cable RGUs was stable at approximately 241,000 as of March 31, 2013 and December 31, 2011. The proportion of Cable Customer Relationships subscribing to Coditel's triple-play services increased marginally to 42.4% as of March 31, 2013 compared to 42.0% as of December 31, 2011. Coditel experienced a decrease in the number of RGUs per Cable Customer Relationship, with the number of RGUs per Cable Customer Relationship decreasing from 2.07 services as of December 31, 2011 to 2.05 services as of March 31, 2013. Given the historically high level of cable penetration in Brussels and Luxembourg and as a result of the AIESH concession, Coditel continues to serve a number of single-play analog and digital television customers, thereby diluting the proportion of multiple-play subscribers relative to its total Cable Customer Relationships.

As of March 31, 2013, Coditel had approximately 133,000 pay television RGUs, compared to approximately 135,000 pay television RGUs as of December 31, 2011 implying a net decrease of approximately 2,000 television RGUs over the period. This decrease was primarily due to a decrease in pay television RGUs due to customers churning to competitors' platforms, such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas and was offset by an increase in analog RGUs due to the winning of the AIESH concession representing 12,400 analog RGUs. In addition to competitive alternatives, churn levels may be affected by changes in Coditel's or its competitors' prices and the level of customer satisfaction. Coditel's television RGUs churn rate for the three months ended March 31, 2013 was 21%. Coditel's television RGUs churn rate for the year ended December 31, 2012 was 16% compared to14% for the year ended December 31, 2011. The increase in churn rate in the first quarter of 2013 was primarily due to the amendments to legislation that became effective in 2013 pursuant to which (i) the maximum length of telecommunication service contracts has been reduced to six months and (ii) the imposition of a contractual notice period prior to cancelation of a contract has been prohibited (thereby permitting immediate cancelation by customers). Coditel expects the churn rate to normalize in future periods as the churn rate in the first quarter of 2013 was also affected by a timing impact caused by the change in legislation with customers disconnecting during this period after expiration of a notice period (pursuant to previously existing rules) as well as customers being able to immediately cancel their contracts (pursuant to the change in legislation introduced with effect from 2013).

As of March 31, 2013, Coditel had approximately 55,000 broadband Internet RGUs compared to approximately 54,000 broadband Internet RGUs as of December 31, 2011 implying a net increase of approximately 1,000 broadband Internet RGUs over the period. The increase in broadband Internet RGUs was primarily due to Coditel's ability to offer its subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL and mobile broadband networks, attractive pricing of broadband Internet services by Coditel and due to increase in uptake of its triple-play bundles, which includes broadband Internet services.

As of March 31, 2013, Coditel had approximately 53,000 fixed-line telephony RGUs compared to approximately 52,000 fixed-line telephony RGUs as of December 31, 2011 implying a net increase of 1,000 fixed-line telephony RGUs over the period. The increase in fixed-line telephony RGUs was primarily due to the increase in uptake of Coditel's triple-play bundles, which includes fixed-line telephony services, and attractive fixed-line telephony offers by Coditel, particularly its flat rate offers with unlimited calls to multiple destinations.

ARPU

Cable-based services ARPU increased by €0.8, or 5.0%, to €41.5 for the three months ended March 31, 2013 compared to €40.7 for the three months ended March 31, 2012 and by €2.8, or 7.6%, to €39.5 for the year ended December 31, 2012 compared to €36.7 for the year ended December 31, 2011. Television ARPU increased by €0.4, or 1.8%, to €22.9 for the three months ended March 31, 2013 compared to €22.5 for the three months ended March 31, 2012 and by €1.8, or 9.0%, to €21.9 for the year ended December 31, 2012 compared to €20.1 for the year ended December 31, 2011. The increase in cable-based services ARPU and pay television ARPU was primarily due to price increases in Coditel's triple-play packages as well as its stand-alone pay television offerings.

Discussion and Analysis of Coditel's Operating Results

Basis of Presentation

In order to facilitate the understanding of Coditel's results of operations, this discussion and analysis is based on:

- *2012:* the unaudited pro forma consolidated financial information of Coditel Holding S.A. as of and for the year ended December 31, 2012 drawn up using the recognition and measurement criteria of Luxembourg GAAP adjusted by unaudited pro forma IFRS journal entries (the "2012 Coditel IFRS Data").

- *2011:* the unaudited combined consolidated statement of comprehensive income aggregating (a) the unaudited pro forma statement of comprehensive income of Coditel Luxembourg for the period from

January 1, 2012 to July 31, 2012 drawn up in accordance with the recognition and measurement criteria of Luxembourg GAAP, (b) the unaudited pro forma statement of comprehensive income of Coditel Belgium for the period from January 1, 2012 to July 31, 2012 drawn up in accordance with the recognition and measurement criteria of Belgian GAAP, (c) the unaudited pro forma consolidated statement of comprehensive income of Coditel Holding S.A. for the period from August 1, 2011 to December 31, 2011 drawn up in accordance with the recognition and measurement criteria of Luxembourg GAAP and (d) unaudited pro forma IFRS journal entries. This aggregation is referred to herein as the "2011 Coditel Aggregated Data".

- *March 31, 2013 and 2012:* the unaudited pro forma income statement of Coditel Holding S.A. as of and for the three months ended March 31, 2013 (the "2013 Q1 Coditel IFRS Data") and March 31, 2012 (the "2012 Q1 Coditel IFRS Data"), in each case adjusted by pro forma IFRS journal entries.

The 2011 Coditel Aggregated Data neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such. The 2011 Coditel Aggregated Data is presented for illustrative purposes only and does not purport to present the operations of Coditel Holding S.A. as they actually would have been had the acquisition of Coditel Belgium and Coditel Luxembourg occurred with effect from January 1, 2011 or to project any operating results for any future period. The 2011 Coditel Aggregated Data includes no additional pro forma adjustments (except for intercompany eliminations) to present the aggregated income statement as if the Coditel Acquisition had been completed on January 1, 2011 and thus reflects, among other things, several effects in connection with the Coditel Acquisition only for the period from August 1 to December 31, 2011.

Coditel's historical financial statements included elsewhere in this Offering Memorandum have been prepared in accordance with local GAAP. However, to facilitate the comparability of the Group's various businesses, we have presented the following discussion and analysis of the results of operations of Coditel based on a reconciliation of financial data of Coditel Holding S.A., Coditel Belgium and Coditel Luxembourg, as the case may be, for the periods presented from local GAAP to IFRS. Financial statements prepared in accordance with Luxembourg GAAP and Belgian GAAP may differ in certain significant respects from IFRS, which are described below. See note 1 to the 2011 Aggregated IFRS Data included elsewhere in the Offering Memorandum.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

	Three Months ended March 31,		**Change**	
	2012[(1)]	**2013**[(2)]	**Amount**	**%**
	(€ in thousands except percentages)			
Revenues	**18,298**	**18,543**	**245**	**1.3%**
Expenses				
Depreciation and amortization	(2,283)	(1,962)	(321)	(14%)
Operating expenses	(4,587)	(5,008)	421	9.2%
Sales and marketing expenses	(809)	(1,045)	236	29.2%
General and administrative expenses	(1,086)	(1,012)	(74)	(6.7%)
Other expenses (income), net	(1,127)	(703)	(424)	(37.7%)
Operating income	**8,406**	**8,812**	**406**	**4.8%**
Finance income	113	70	(43)	(38.1%)
Finance expenses	(10,671)	(11,348)	677	6.3%
Income before taxes on income	**(2,152)**	**(2,466)**	**314**	**14.6%**
Taxes on income (benefit)	(110)	(893)	783	712.4%
Net income	**(2,262)**	**(3,359)**	**1,097**	**48.5%**

(1) Reflects the 2012 Q1 Coditel IFRS Data.

(2) Reflects the 2013 Q1 Coditel IFRS Data.

Revenues. For the three months ended March 31, 2013, Coditel generated revenues of €18,543 thousand representing an increase of 1.3% compared to €18,298 thousand for the three months ended March 31, 2012. The increase was mainly driven by an increase in television subscription revenues of €329 thousand, while broadband Internet subscription revenues increased by €274 thousand. Cellular services, which Coditel began offering in Belgium in September 2012, contributed €206 thousand to revenues for the three months ended March 31, 2013. These increases were partially offset by a decrease in other revenues, which comprised primarily of B2B and B2C installation fees, late payments and cancelation fees, by €536 thousand.

The table below presents the details of Coditel's subscription revenues and B2B infrastructure revenues during the period (not including other revenues):

	Three months ended March 31,	
	2012[(1)]	**2013**[(2)]
	(€ in thousands)	
Television	8,933	9,262
Broadband Internet	2,872	3,146
Fixed-Line Telephony	2,246	2,225
Cellular	—	206
Subscription Revenues	**14,051**	**14,839**
B2B Infrastructure Rental	1,559	1,551

* As presented above, finance expenses include management fees and monitoring fees. Please note that management fees and monitoring fees are excluded from financing expenses for the purposes of presentation of the financial information of Coditel included in the pro form financial information of the Group elsewhere in this Offering Memorandum. See "*Summary Financial and Other Data*" and "*Unaudited Pro Forma Financial Data of the Group*".

(1) Reflects the 2012 Q1 Coditel IFRS Data.

(2) Reflects the 2013 Q1 Coditel IFRS Data.

The increase in television subscription revenues was primarily driven by an approximately 3,000 net increase in the number of television RGUs due to the new AIESH concession representing 12,400 additional analog television subscribers. The increase in television subscription revenues was also impacted by an increase in prices for our digital pay television services. This was partially offset by an approximately 4,000 net decrease in the number of digital television RGUs primarily due to customers churning to competitors' platforms, such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. The increase in broadband Internet revenues was primarily due to a €1.2 increase in broadband Internet ARPUs as a result of the price increase in Coditel's triple-play packages and customers opting for higher speed connections. Fixed-line telephony revenues were impacted by the decrease in ARPUs from €14.2 for the three months ended March 31, 2012 to €14.0 for the three months ended March 31, 2013 primarily due to an increased uptake of Coditel's flat rate offers with unlimited calls. The decrease in other revenues was primarily due to decrease in revenues from installation fees for B2B services as a result of the lower level of activity in the three months ended March 31, 2013 compared to the corresponding period in 2012 relating to Coditel's project for the Brussels police involving installation of fiber links for the CCTV network.

For the three months ended March 31, 2013, Coditel's Belgium operations generated revenues of € 13,542 thousand (approximately 73% of total Coditel revenues) compared to €13,090 thousand (approximately 71% of total Coditel revenues) for the three months ended March 31, 2012. For the three months ended March 31, 2013, Coditel's Luxembourg operations generated revenues of €4,083 thousand (22% of total Coditel revenues) compared to €4,231 thousand (23% of total Coditel revenues) for the three months ended March 31, 2012.

Depreciations and amortization. Depreciation and amortization amounted to €1,962 thousand for the three months ended March 31, 2013, a decrease of 14.0% compared to €2,283 thousand for the three months ended March 31, 2012. This reflected slightly longer depreciation schedules for the more recent investments by Coditel.

Operating expenses. Operating expenses amounted to €5,008 thousand for the three months ended March 31, 2013, an increase of 9.2% compared to €4,587 thousand for the three months ended March 31, 2012. This increase was mainly due to the following factors:

- the launch of the cellular operations in Belgium in September 2012; and

- an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages.

General and administrative expenses. General and administrative expenses were € 1,012 thousand for the three months ended March 31, 2013, a decrease of 6.7% compared to € 1,086 thousand for the three months ended March 31, 2012 as a result of the decrease in the number of full time employees and lower administrative building renting costs.

Sales and marketing expenses. Sales and marketing expenses were €1,045 thousand for the three months ended March 31, 2013, an increase of 29.1% compared to €809 thousand for the three months ended March 31, 2012. This increase was primarily as a result of the marketing expenses associated with Coditel's cellular services in Belgium launched in September 2012 as well as due to the outsourcing of two of Coditel's outlets to an external provider (although these outlets continue to sell Coditel products and services on an exclusive basis), the costs for which were previously allocated between operating expenses and sales and marketing expenses.

Other expenses (net). Other expenses (net) amounted to €703 thousand for the three months ended March 31, 2013, a decrease of 37.7% compared to €1,127 thousand for the three months ended March 31, 2012, as a result of fees paid in the first quarter of 2012 in connection with the leveraged acquisition of Coditel in 2011.

Operating profit. As a result of the factors described above, operating profit was € 8,812 thousand for the three months ended March 31, 2013, an increase of 4.8% compared to € 8,406 thousand for the three months ended March 31, 2012.

Financial expenses (net). Net finance expenses for the three months ended March 31, 2013 was €11,278 thousand, an increase of 6.8% compared to €10,558 thousand for the three months ended March 31, 2012. This increase was primarily due to losses on interest rate swaps that were entered into in 2012.

Taxes on revenue. Taxes on revenue amounted to €893 thousand for the three months ended March 31, 2013, an increase of 712.4% compared to €110 thousand for the three months ended March 31, 2012. This increase was due to the availability in 2012 of certain tax losses carried forward from prior periods that were used to offset taxable income, whereas there were no available tax losses in 2013.

Net income. As a result of the factors described above, Coditel had a net loss of € 3,359 thousand for the three months ended March 31, 2013, an increase in net loss by 48.5% compared to a net loss of €2,262 thousand for the three months ended March 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

	Year ended December 31,		Change	
	2011[(1)]	2012[(2)]	Amount	%
	(€ in thousands except percentages)			
Revenues	**67,360**	**74,160**	**6,800**	**10.1%**
Expenses				
Depreciation and amortization	(11,272)	(11,142)	(130)	(1.1%)
Operating expenses	(17,136)	(18,937)	–	10.5%
Sales and marketing expenses	(4,481)	(5,015)	534	11.9%
General and administrative expenses	(4,189)	(4,545)	–	8.5%
Other expenses (income), net	(3,963)	(4,500)	537	13.6%
Operating income*	**26,319**	**30,021**	**3,702**	**14.1%**
Finance income	1,747	465	(1,282)	(73.4%)
Finance expenses	(18,043)	(43,740)	25,697	142.4%
Income before taxes on income*	**10,023**	**(13,255)**	**(23,278)**	**(232.2%)**
Income tax (expense)/benefit	(4,571)	(2,209)	(2,362)	(51.7%)
Net income	**(5,542)**	**(15,463)**	**(20,916)**	**(383.6%)**

* As presented above, finance expenses include management fees and monitoring fees. Please note that management fees and monitoring fees are excluded from financing expenses for the purposes of presentation of the financial information of Coditel included in the pro form financial information of the Group elsewhere in this Offering Memorandum. See "*Summary Financial and Other Data*" and "*Unaudited Pro Forma Financial Data of the Group*".

(1) Reflects the 2011 Coditel Aggregated Data.

(2) Reflects the 2012 Coditel IFRS Data.

Revenues. For the year ended December 31, 2012, Coditel generated revenues of € 74,160 thousand representing an increase of 10.1% compared to €67,360 thousand for the year ended December 31, 2011. Television revenues increased by €2,774 thousand and broadband Internet subscription revenues increased by €470 thousand. Cellular services, which Coditel began offering in Belgium in September 2012 contributed €160 thousand to revenues for the year ended December 31, 2012. Other revenues, which comprised primarily of B2B and B2C installation fees, late payments and cancelation fees, increased by €3,283 thousand.

The table below presents the details of Coditel's subscription revenues and B2B infrastructure revenues during the period (not including other revenues):

	Year ended December 31,	
	2011[(1)]	**2012**[(2)]
	(€ in thousands)	
Television	*32,877*	*35,651*
Broadband Internet	*11,207*	*11,677*
Fixed-Line Telephony	*8,791*	*8,674*
Cellular	*—*	*160*
Subscription Revenues	**52,875**	**56,162**
Infrastructure Rental	5,947	6,176

[(1)] Reflects the 2011 Coditel Aggregated Data.

[(2)] Reflects the 2012 Coditel IFRS Data.

The increase in television subscription revenues was primarily driven by an approximately 1,000 net increase in the number of television RGUs due to the new AIESH concession. The increase in television subscription revenues was also impacted by an increase in prices for Coditel's digital pay television services. Set-top box rental revenues increased in line with the success of Coditel's triple-play package in which the set-top box is rented to the customer. This was partially offset by an approximately 2,000 net decrease in the number of digital television RGUs primarily due to competition, particularly from IPTV offers by Belgacom in Brussels and P&T in Luxembourg. The slight increase in broadband Internet revenues was primarily due to an approximately 1,000 increase in the number of broadband Internet RGUs and the increase in broadband Internet ARPUs from17.5 for the year ended December 31, 2011 compared to 17.8 for the year ended December 31, 2012. The slight increase in fixed-line telephony revenues was due to an approximately 1,000 increase in the number of fixed-line telephony RGUs due to the success of Coditel's triple-play offering, offset by the decrease in ARPUs from €14.6 for the year ended December 31, 2011 to 13.8 for the year ended December 31, 2012. Other revenues increased primarily due to higher installation fees relating to the project for the Brussels police involving installation of fiber links for the CCTV network.

For the year ended December 31, 2012, Coditel's Belgium operations generated revenues of € 53,353 thousand (71% of total Coditel revenues) compared to €48,329 thousand (71% of total Coditel revenues) for the year ended December 31, 2011. For the year ended December 31, 2012, Coditel's Luxembourg operations generated revenues of €16,659 thousand (22% of total Coditel revenues) compared to €16,177 thousand (24% of total Coditel revenues) for the year ended December 31, 2011.

Depreciations and amortization. Depreciation and amortization amounted to € 11,142 thousand for the year ended December 31, 2012, a decrease of 1.1% compared to € 11,272 thousand for the year ended December 31, 2011.

Operating expenses. Operating expenses amounted to €18,937 thousand for the year ended December 31, 2012, an increase of 10.5% compared to €17,136 thousand for the year ended December 31, 2011. This increase was mainly due to the following factors:

- the launch of the cellular operations in Belgium in September 2012; and

- an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages;

General and administrative expenses. General and administrative expenses were € 4,545 thousand for the year ended December 31, 2012, an increase of 8.5% compared to € 4,189 thousand for the year ended December 31, 2011.

Other sales and marketing expenses. Other sales and marketing expenses were € 5,015 thousand for the year ended December 31, 2012, an increase of 11.9% compared to compared to €4,481 thousand for the year ended December 31, 2011. This was primarily due to the marketing expenses associated with Coditel's cellular services in Belgium launched in September 2012.

Other expenses (net). Other expenses (net) amounted to €4,500 thousand for the year ended December 31, 2012, an increase of 13.6% compared to €3,963 thousand for the year ended December 31, 2011. The increase was primarily due to certain fees associated with the leveraged acquisition of Coditel in 2011 (that were paid in 2012) and management fees paid by Coditel, partially offset by a decrease in other expenses due to the demerger of Coditel from Numericable France (including royalty paid by Coditel until June 30, 2011 for the use of the Numericable brand).

Operating profit. As a result of the factors described above, operating profit was € 30,021 thousand for the year ended December 31, 2012, an increase of 14.1% compared to € 26,319 thousand for the year ended December 31, 2011.

Financial expenses (net). Net finance expenses for the year ended December 31, 2012 was €43,275 thousand, an increase of 165.6% compared to €16,296 thousand for the year ended December 31, 2011. This increase was due to the full year impact of the higher level of debt as a result of the leveraged acquisition of Coditel that was completed in June 2011.

Taxes on revenue. Taxes on revenue amounted to €2,209 thousand for the year ended December 31, 2012, a decrease of 51.7% compared to €4,571 thousand for the year ended December 31, 2011. This decrease was due to lower profit before tax.

Net income. As a result of the factors described above, Coditel had a net loss of €15,463 thousand for the year ended December 31, 2012, an increase in net loss by 383.6% compared to a net income of €5,542 thousand for the year ended December 31, 2011.

Coditel's Cash Flow Statement

The table below summarizes Coditel's unaudited pro forma consolidated cash flow for the different periods.

	For the year ended December 31,		For the three months ended March 31,	
	2011(1)	2012(2)	2012(3)	2013(4)
	€ in thousands			
Cash and cash equivalents at beginning of period	3,650	3,158	3,158	6,469
Net cash generated by current operations	35,256	50,972	10,874	8,694
Net cash provided by (used in) investment operations	(10,573)	(17,013)	(2,640)	(3,372)
Net cash provided by (used in) financing operations	(25,365)	(30,647)	(4,491)	(4,342)
Cash and cash equivalents at end of period*	**2,967**	**6,469**	**6,901**	**7,450**

(1) Reflects the 2011 Coditel Aggregated Data.

(2) Reflects the 2012 Coditel IFRS Data.

(3) Reflects the 2012 Q1 Coditel IFRS Data.

(4) Reflects the 2013 Q1 Coditel IFRS Data.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

Net cash generated by current operations. Net cash generated by current operations decreased by 20.0% to €8,694 thousand for the three months ended March 31, 2013 compared to €10,874 thousand for the three months ended March 31, 2012. This decrease can be attributed to a € 1,408 thousand negative impact from changes in the working capital position, among other factors, due to an increase in trade receivables in the first quarter of 2013 due to longer payment terms relating to the project for the Brussels police as well as the impact of VAT rates with effect from the beginning of 2012, which was partially offset by the increase in Coditel's operating profit by €406 thousand.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Net cash generated by current operations. Net cash generated by current operations increased by 44.6% to €50,972 thousand for the year ended December 31, 2012 compared to €35,256 thousand for the year ended December 31, 2011. This increase can be attributed to a €3,434 thousand positive impact from changes in the working capital position, among other factors, due to an increase in trade payables as a result of longer payment terms negotiated with suppliers, and by the increase in Coditel's operating profit by €3,702 thousand.

Capital Expenditures

Coditel's primarily capital expenditures relate to extending, upgrading and maintaining its cable network and investments in Docsis network capacity, expenditures relating to its mobiles services including MVNO fees and costs of handsets, and costs of connecting customer premises and investment in hardware, such as set-top boxes, routers and other equipment.

The table below summarizes our capital expenditures for the different periods.

	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2012	2013
Modems and Converters Related[(1)]	5,158	4,405	1,186	1,218
Cable Network Related (Including Centers)[(2)]	2,774	6,391	740	1,216
Other[(3)]	2,641	6,217	631	986
Total Capital Expenditures[(4)]	**10,573**	**17,013**	**2,557**	**3,420**

(1) Connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth.

(2) Investment in improving or expanding the cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity.

(3) Includes exclusivity fees paid for channel rights, payments to consultants and certain information technology related expenditures.

(4) The table excludes any non cash transactions on capital expenditures.

For the three months ended March 31, 2013, Coditel's total capital expenditures were € 3,420 thousand compared to €2,557 thousand for the three months ended March 31, 2012. The increase was primarily due to the increase in capital expenditures relating to large B2B projects and the launch of Coditel's La Box set top box as well as an increase in fees paid for exclusive right for premium channels.

For the year ended December 31, 2012, Coditel's total capital expenditures were €17,013 million compared to €10,573 million for the year ended December 31, 2011. The increase was primarily due to the increase in fees paid for exclusive right for premium channels, an increase in capital expenditures relating to the project for the Brussels police involving installation of fiber links for the CCTV network and the acquisition of the AIESH concession.

Legal Proceedings

In 2006 and 2010, respectively, the municipalities of Roeser and Junglinster in Luxembourg terminated Coditel's network operation agreements. Coditel refused to comply with the municipalities' request to stop operating the network as it deemed that Coditel acquired ownership of the network from a private individual prior to entering into the agreements with the municipalities, which only pertain to the network operations, and that such authorization is no longer required since the implementation of the telecommunication package in Luxembourg. The municipalities of Roeser and Junglinster each sued Coditel, claimed ownership of the network and demanded that Coditel cease network operations. In December 2012, the District Court of Luxembourg (First Instance) ruled, in each case, that Coditel should cease operations within three months subject to a daily €100 fine. The court also ruled that Coditel is the owner of the network in Roeser. The court did not order provisional enforcement of the proceedings. In February 2013, Coditel filed an appeal against the decision rendered by the Court of Luxembourg. The proceedings are still pending. Coditel is involved in a number of other legal proceedings in the ordinary course of its business.

Significant Accounting Policies

See note 3 to Coditel's financial statements as of and for the year ended December 31, 2012, included elsewhere in this Offering Memorandum.

BUSINESS, INDUSTRY AND MARKET OVERVIEW OF OUTREMER AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OUTREMER

The following discussion and analysis is intended to assist in providing an understanding of Outremer's financial condition, changes in financial condition and results of operations and should be read together with the following financial statements included elsewhere in this Offering Memorandum: (i) the audited consolidated financial statements of Groupe Outremer Telecom as of December 31, 2012 and for the year ended December 31, 2012 which includes the 2011 comparative figures, including the accompanying notes, prepared in accordance with IFRS and (ii) the unaudited condensed consolidated interim financial statements of Groupe Outremer Telecom as of March 31, 2013 and for the three months ended March 31, 2013 which includes the 2012 comparative figures prepared in accordance with the basis of preparation. See "—Basis of Presentation". Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of certain important factors to be evaluated in connection with a prospective purchase of Notes. In this section only, (i) references to 'we', 'us', and 'our' refer to the Group and (ii) references to 'Outremer' may be to Groupe Outremer Telecom or, collectively, Groupe Outremer Telecom and its subsidiaries, as the context requires.

Business Overview

Outremer is a major player in the telecommunications market in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte (the "French Overseas Territories") offering cellular, Internet, fixed-line telephony and IP television services to residential and business subscribers. As of March 31, 2013, Outremer's market share in the French Overseas Territories (taken as a whole) in each of the cellular, Internet and fixed-line telephony markets, based on revenue, was approximately 16%.

Outremer began operations in 1998 as a fixed-line operator and commenced providing cellular services in December 2004 thereby transforming itself into an integrated fixed-line and cellular player. This strategic move generated strong sales growth for Outremer (from €70 million in 2004 to € 195 million in 2012), driven by the commercial success of its cellular offerings. As of March 31, 2013, Outremer had approximately 380,000 cellular subscribers. Outremer's growth is attributable to a superior value proposition to its customers, based on lower prices and a larger product and service offering. Management estimates its mobile offers are priced at an approximately 20-40% discount and that its DSL-based offers are at an approximately 10-20% discount compared to its competitors. In addition, Outremer was the first operator to launch postpaid subscriptions including unlimited calls, VoD, IP-TV TNT channels and other fixed-line services. Outremer's aggressive pricing policy and innovative product offering is furthermore supported by a high-density distribution network consisting of 81 outlets for a population of approximately 2.1 million and integrated cellular and fixed-line networks with respect to which Outremer has invested over €200 million between 2004 and 2012.

Outremer's proprietary infrastructure includes cellular networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies enabling it to deliver 2G and 3G services respectively, with coverage throughout the French Overseas Territories. Outremer also provides its Internet, fixed-line telephony and IP television services through its fixed-line ADSL networks, which is available to most households in the region. In Guadeloupe, Martinique and La Réunion, Outremer's fixed-line network is supplemented by WiMAX capability enabling the delivery of last mile wireless broadband access. In addition, Outremer has invested in IRUs and leases of submarine cable capacity, which connect its terrestrial cellular and fixed-line networks to international routes.

Outremer and Orange are the only telecommunication operators that offer a broad range of telecommunication products and services (including fixed-line and cellular telephony, broadband Internet, data services and television), across all French Overseas Territories, intended for the general public and businesses on the basis of a proprietary network. We believe that Outremer's integrated business model results in a balanced portfolio of products and services at different stages of maturity and an efficient cost structure as network, marketing and distribution resources are shared between services. In addition, Outremer is currently the only provider able to provide bundled quadruple-play services in the French Overseas Territories, which provides it with a competitive advantage.

Outremer plans to further improve its competitive position by pursuing the development of its cellular services through competitive pricing, expanding its business clientele and enhancing the convergence of its services through introducing attractive multiple-play packages.

Outremer provides the following products and services:

- *Cellular.* Outremer offers residential and business cellular subscribers a variety of monthly rate plans, referred to as post-paid, and pay-as-you-go plans, referred to as pre-paid. Outremer launched its cellular services in December 2004 and has built market share through its attractive pricing propositions. It was the first to launch a post-paid plan in the French Overseas Territories with unlimited national calls. Outremer currently provides subscribers 2G and 3G cellular services and plans to apply for licenses to provide 4G services, which are expected to be awarded via an application process at the end of 2013. As of March 31, 2013, Outremer had approximately 380,000 total cellular subscribers, consisting of approximately 172,000 residential post-paid subscribers, approximately 197,000 residential pre-paid subscribers and approximately 11,000 B2B cellular subscribers. Outremer's cellular ARPU was €26.3 for the three months ended March 31, 2013 and €26.7 for the year ended December 31, 2012.

- *Internet.* Outremer provides Internet services within its network area offering residential and business subscribers monthly rate plans, including broadband Internet services and narrowband (dial-up) services. As of March 31, 2013, Outremer provided Internet services to approximately 61,000 residential subscribers consisting of approximately 55,000 broadband Internet subscribers and approximately 6,000 narrowband Internet subscribers (included under fixed-line telephony subscribers). In addition, Outremer had approximately 2,000 B2B subscribers.

- *Fixed-Line Telephony.* Outremer offers its residential and business subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value- added telephony features. As of March 31, 2013, Outremer provided fixed-line telephony services to approximately 82,000 subscribers consisting of approximately 56,000 residential subscribers and approximately 26,000 B2B subscribers.

- *IP Television.* Outremer offers its broadband Internet subscribers IP television services via its fixed-line ADSL network. Subscribers can choose from a range of approximately 30 digital television channels and are also able to access certain interactive services, such as VOD. Historically, Outremer has not aggressively marketed these services as it relied on a pay television satellite partner to provide digital television services to its customers. Following the end of this exclusive arrangement in February 2013, Outremer believes it has a unique opportunity to upgrade its IP television services with the potential to increase its multiple-play revenues. In particular, following the Outremer Transaction, Outremer will benefit from highly competitive digital television content of Le Cable, the leading cable operator in Martinique and Guadeloupe, which it plans to make available in all the French Overseas Territories. As of March 31, 2013, Outremer provided IP television services to approximately 5,000 subscribers.

- *B2B.* In addition to cellular, broadband Internet and fixed-line telephony services, Outremer provides dedicated services to B2B customers, including VPN services and unified communications and machine-to-machine vertical services (M2M).

Outremer's products and services are offered either on a stand-alone basis or as multiple-play offers. As of March 31, 2013, Outremer estimates that only 14% of its customers subscribe to at least two services provided by Outremer. Outremer plans to significantly improve that proportion by focusing on providing attractive multiple-play packages (including an enhanced IP television offering) taking advantage of its ability to provide convenient one-stop-shop solutions to its residential and business customers. Outremer has recently launched the first quadruple-play monthly rate plan for residential families in the French Overseas Territories consisting of cellular, broadband Internet, VoIP and IP television services.

For the year ended December 31, 2012, Outremer's revenues were € 195,127 thousand and its Adjusted EBITDA was €63,060 thousand. For the three months ended March 31, 2013, Outremer's revenues were €48,096 thousand and its Adjusted EBITDA was €16,871 thousand. The following table presents a reconciliation of Outremer's EBITDA to net income for the respective periods.

	Year ended December 31,		Three Months ended March 31,	
	(€ in thousands)			
	2011	2012	2012	2013
Adjusted EBITDA[1]	60,711	63,060	15,155	16,871
Depreciation and amortization	26,406	27,332	6,382	5,323
Other (revenues)/expenses, net	848	1,262	818	1,303
Finance expenses, net	2,971	4,449	1,194	957
Taxes on income (benefit)	10,646	11,218	2,526	3,448
Net income	19,839	18,799	4,234	5,839

[1] Outremer Adjusted EBITDA represents net income before net financing income, taxes on income, depreciation and amortization, and before other (revenues)/expenses, net. Outremer EBITDA is an additional measure used by management to demonstrate its underlying performance and should not replace the measures in accordance with IFRS as an indicator of its performance, but rather should be used in conjunction with the most directly comparable IFRS measure.

Outremer's activities are regulated by ARCEP, the French telecommunications regulator. In addition, Outremer has been granted a license by the Banque de France to act as a payment institution pursuant to which it plans to introduce payment services to residential and business customers by the end of 2013. This new activity will be operated independently of Outremer's telecommunications operations and will address the overall market for basic banking services, including debit cards, payment account facilities and transactions processing for retail outlets, but will not include the provision of loans, saving accounts and securities related services. Although Outremer is licensed to provide these services in France, it plans to initially roll out these services only in the French Overseas Territories, which represents an addressable market of approximately €500 million. Outremer expects that the payment activity will be run at marginal additional cost as it will be symbiotically integrated within the current telecommunication operations of Outremer, capitalizing on Outremer's distribution network and its telecommunication and information technology infrastructure..

Key products and services will include:

- Debit cards and payment account facilities. Outremer will issue Visa/CB debit co-badged cards to ensure worldwide acceptance to its cardholders.

- Transaction processing packages for B2B customers. With this service, Outremer will be able to complement its B2B telecommunications package (double-play offer including broadband Internet and VoIP telephony) with an integrated payment service, including a point-of-sale payment terminal and multi-schemes card acceptance system.

- SEPA direct debit and credit transfers. Outremer plans to offer services to manage debit and credit operations for residential and business customers.

Industry Overview

The telecom sector in the French Overseas Territories is a niche market serving a population of approximately 2.1 million. Mobile and broadband internet access represent the bulk of the market, with total revenues of €1.3 billion (of which mobile represents approximately two-thirds), with pay television also constituting an adjacent service with total revenues of approximately €0.4 billion, in each case according to management estimates.

The French Overseas Territories markets are characterized by a young population (35% of the population is under the age of 20 in the French Overseas Territories, in comparison to 25% in mainland France, according to management estimates), price sensitivity and a strong demand for access technologies. In addition, these markets benefit from attractive demographic trends thanks to birth rates that are twice as high in the French Overseas Territories as in mainland France according to management estimates. Furthermore, the development and infrastructure improvements in the French Overseas Territories are supported by subsidies from mainland France which result in additional economic benefits to the economies of the French Overseas Territories. Importantly, mobile telephony licenses have so far been granted for free to the various operators and the upcoming grants of 4G licenses are expected to be no different. Investment by operators in the telecom sector in the French Overseas Territories in new technologies and infrastructure is supported by certain tax subsidies.

Prior to 2004, the telecommunications market in the French Overseas Territories was extremely concentrated with limited competition and was marked by high prices. Orange controlled the fixed-line and internet markets, while mobile was offered by Orange and Bouygues in the Caribbean area and SRR and Orange in the Indian Ocean area. Given the limited relative importance of the French Overseas Territories to the incumbents' overall operations and the benign competitive environment, the incumbent players did not adapt their organisation and cost structure in order to generate the necessary scale effects in the French Overseas Territories. This created an important market opportunity for other potential players, in particular for Outremer, which entered the mobile market in 2005. By offering a comprehensive offer at attractive prices, Outremer was able to rapidly capture significant market share. Today, the competitive landscape today is categorised by operators that offer a smaller range of services at competitive prices (Mediaserv, Le Cable) and by the incumbent operators (Orange and SRR) that have a wider range of services, with certain players falling somewhere between the two types of operators (Digicel). We believe that only Outremer has been able to offer a large product and service offering, while still maintaining competitive prices.

Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a penetration rate of approximately 124% according to management estimates. This compares favorably to mobile penetration in France of approximately 112% as of December 31, 2012 (according to ARCEP, the French communications regulator), and in line with Western Europe penetration of approximately 121% for the same period (according to Informa Telecomes & Media). However, the young population and high price sensitivity results in lower mobile ARPUs and higher churn higher than for operators in continental Europe. The main players in the mobile telephony market include Orange, OMT, Digicel (only in Caribbean area) and SRR (only in Indian Ocean area).

Broadband internet access in the French Overseas Territories remains underpenetrated (65% according to management estimates) versus IHS reported rates for the same period for mainland France (61%) and Western Europe

(62%). DSL is by far the dominant technology, with limited announced plans for technology upgrades or the deployment of other access technologies, such as cable. The main players in the broadband internet access market are France Telecom and OMT (and SRR to some extent in the Indian Ocean area), although there are a significant number of local DSL players, most of which offer unbundled local loop DSL services while renting France Telecom last mile on a wholesale basis. Presence of cable is so far limited in broadband internet access but is growing rapidly in Martinique and Guadeloupe where Le Cable, the only cable operator with a network covering approximately half of the households, is rapidly upgrading its network and offers a growing number of homes the possibility to subscribe to high speed DOCSIS3.0-enabled broadband.

Demand for pay television is strong in the French Overseas Territories, with penetration rates at approximately 66% according to management estimates; in line with IHS reported rates for the same period for Western Europe (58%) but below France (76%). The market is dominated by satellite TV, with Canal Plus and Parabole Réunion among the strongest players, and cable, with Le Cable. We believe growing demand for bandwidth and triple-play packages is likely to increase demand for alternative access technologies with the ability to provide interactive services such as video on demand.

As in mainland France and Western Europe, multi-play and convergence have increasingly become important. However, triple-play penetration lags behind that of more developed economies. While quadruple-play penetration is expected to remain limited in the French Overseas Territories as a whole, as only OMT can currently offer such bundles, the ability to provide quadruple-play bundles is expected to become a way for OMT/Le Cable to differentiate itself in Martinique and Guadeloupe, where other players are either only mobile or DSL operators (Digicel, MediaServ), while large players are considered dominant and are not allowed by local regulation to bundle products (Orange, SRR). This situation is unlikely to change in the near-term in management's view.

Key Factors Affecting Outremer's Business

Outremer's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting its results of operations include, among others, network upgrades, competition (particularly in the broadband Internet market), macro economic risks in the areas where it operates, its cost structure and the introduction of new products and services, including new digital IP television services and payment services.

LTE license award and cellular network upgrade

It is expected that ARCEP will initiate an application process to award spectrum for the provision of LTE cellular telephony services in the French Overseas Territories by the end of 2013. In case of a successful award, Outremer's ability to provide LTE cellular services to complement its existing 2G and 3G cellular services in the French Overseas Territories will depend in part on its ability to upgrade its cellular network and roll-out an LTE network, which could involve a significant amount of capital expenditure. Based on current plans, Outremer expects that it would need to invest approximately €30,000 thousand (net of tax subsidies) in 2014 and 2015 to upgrade its networks to roll-out LTE cellular services. In addition, although historically no upfront license fee has been required by ARCEP relating to spectrum allocation in the French Overseas Territories, ARCEP might require an upfront license fee from each winner depending on the spectrum available and the number of applicants.

Competition

In the periods under review, Outremer experienced significant competition in its various markets, particularly in the broadband Internet market. Key competitors of Outremer's broadband Internet business include (i) Orange as the incumbent player in the French Overseas Territories with an overall market share above 50%, (ii) MediaServ as the DSL player with an estimated 85,000 subscribers in all French Overseas Territories (except Mayotte), and (iii) other competitors in La Réunion including DSL providers (SRR and IZI) and a cable operator (ZeOP). Competition in the Indian Ocean region has been particularly intense, which has had a negative impact on revenues from the region. Outremer's competitiveness in the broadband Internet services in the periods under review were also impacted by the limited marketing innovation in Outremer's product line and the limited nature of its IP television services provided to its broadband Internet customers pursuant to an exclusive distribution contract with a satellite television provider. Following the termination of this contract in February 2013, Outremer expects to enhance its broadband Internet services, including by leveraging Le Cable's digital content following the completion of the Outremer Transaction. Outremer also expects the broadband Internet market in the French Overseas Territories to undergo some consolidation in the future.

In the cellular market, Outremer has competed against large telecommunications conglomerates such as Orange and SRR (the local affiliate of SFR in the Indian Ocean area) since it began providing cellular services in 2004. Outremer has relied on its efficient and adaptable cost structure to compete with these market participants, which has allowed it to offer attractive prices to its customers and to penetrate the market. Outremer expects to face additional pricing pressure in future periods as competitors respond to its offers.

Introduction of new products and services

Outremer's results of operations in the periods under review have been impacted by the introduction of new products in the French Overseas Territories. In particular, Outremer's introduction of flat-fee rate cellular telephony plans including unlimited calls towards the French Overseas Territories and mainland France in the first half of 2012 had a significant impact on Outremer's subscriber, ARPU and revenue growth from cellular services. In the future, Outremer will focus its products innovation on leveraging its ability to provide customers multiple-play services, improving its broadband Internet product line by launching an attractive IP television package and introducing its payment services.

Cost structure

Certain elements of Outremer's cost structure, including a large portion of its network operations, billing and administrative expenses are relatively fixed, while its sales and marketing costs, content related costs, fixed-telephony interconnection fees and cellular roaming costs, among others, are relatively variable. In the periods under review Outremer benefited from a sharp decrease in cellular termination costs due to the reduction on cellular termination rates, which significantly improved its gross margins on unlimited call rate plans. In addition, during the period under review, Outremer initiated several initiatives to reduce fixed costs, including through introducing automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets. Further, Outremer has reallocated customer care and other staff from the French Overseas Territories to Mauritius hence reducing headcount and the need for customer services centers in the French Overseas Territories and has also increased the use of online self-care systems. These measures have been made possible due to the investment in, and improvements of, Outremer's network, systems and processes in recent years. As a result of these initiatives, Outremer has been able to optimize its cost structure during the periods under review.

Key Operating Measures

Outremer uses several key operating measures, including number of subscribers, churn and ARPUs to track the financial and operating performance of its business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from Outremer's internal operating systems. As defined by Outremer's management, these terms may not be directly comparable to similar terms used by competitors or other companies. As ARPU varies considerably for Outremer's different services, subscriber growth is not necessarily indicative of the overall development of Outremer's business and results of operations.

	As of and for the year ended December 31,		As of and for the three months ended March 31,
	2011	2012	2013
	in thousands except percentages and as otherwise indicated		
Outremer Summary Statistical and Operating Data			
Subscribers Data			
Subscribers[1]			
B2C Subscribers			
Pre-paid Cellular Subscribers	197	203	197
Post-paid Cellular Subscribers	150	171	172
Total B2C Cellular Subscribers	347	374	368
Broadband Internet Subscribers	56	55	55
Fixed-Line Telephony Subscribers	64	56	56
B2B Subscribers			
Post-paid Cellular Subscribers	8	11	11
Broadband Internet Subscribers	2	2	2
Fixed-Line Telephony Subscribers	25	27	26
Churn[2]			
Pre-paid Cellular Subscribers Churn	62.6%	65.9%	64.9%
Post-paid Cellular Subscribers Churn	18.3%	14.7%	12.7%
Broadband Internet Subscribers Churn	25.0%	25.4%	17.4%
Fixed-Line Telephony Subscribers Churn	8.7%	11.4%	9.9%
ARPU[3]			
Blended ARPU (in €)	30.4	28.4	27.8

Pre-paid Cellular ARPU (in €)	12.8	12.6	11.2
Post-paid Cellular ARPU (in €)	47.9	43.3	42.9
Total Cellular ARPU (in €)	28.9	26.7	26.3
Broadband Internet ARPU (in €)	54.8	53.8	52.1
Fixed-Line Telephony ARPU (in €)	20.7	18.5	17.8

(1) Subscribers represent the number of individual active telecommunication contracts that have been entered into by Outremer's customers (including cellular, broadband Internet and fixed-line telephony). Outremer's cellular subscribers are counted as the number of SIM cards activated. Outremer's broadband Internet subscribers are calculated as the number of fixed-lines benefiting from Outremer's Internet service. Narrowband Internet subscribers are included in the fixed-line telephony subscribers. IP television subscribers are included in the broadband Internet subscribers.

(2) Churn is calculated for a given service by dividing the number of subscribers changing operator over a particular period by the average number of subscribers over that period. The number of subscribers changing operator is the number of active subscribers that either terminate their subscription with Outremer or whose contracts are terminated by Outremer. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two. Churn for a given service hence provides the number of subscribers changing operator during a particular period (either at the customer's request or due to a termination of the subscription by Outremer) by the average number of subscribers for such service. For the three months ended March 31, 2013, churn shown is the annualized churn, calculated by multiplying the churn for the three months ended March 31, 2013 by four.

(3) ARPU is an average monthly measure that Outremer uses to evaluate how effectively it is realizing revenues from subscribers. ARPU is based on both incoming revenue and all amounts billed to subscribers for the services provided, excluding sales of terminals, and is calculated by adding the billed revenues (including equipment rentals and VOD, but excluding installation fees and the sale of cellular devices) and interconnection revenues per Subscriber for the service provided, in each case including the proportional allocation of the bundling discount, and after certain discounts, for the respective period, and dividing such amount by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two.

Subscribers

As of March 31, 2013, Outremer had approximately 518,000 total subscribers, which represented an increase of approximately 17,000 subscribers compared to December 31, 2011. The increase in subscribers over this period was primarily due to the continued commercial success of Outremer's cellular offerings and growth in the corporate business segment.

As of March 31, 2013, Outremer had approximately 380,000 total cellular subscribers (including B2C and B2B subscribers), out of which pre-paid services accounted for 52% and post-paid services accounted for 48%, compared to approximately 355,000 total cellular subscribers as of December 31, 2011, out of which pre-paid services accounted for 55% and post-paid services accounted for 45%, implying a net increase of 25,000 cellular subscribers over the period. This increase was primarily due to a revamping of Outremer's cellular post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012.

As of March 31, 2013, Outremer had approximately 57,000 total broadband Internet subscribers (including B2C and B2B subscribers) unchanged from the number of broadband Internet subscribers as of December 31, 2011. In addition, Outremer had approximately 5,600 narrowband Internet subscribers (included under fixed-line telephony subscribers). The stable performance in broadband Internet subscribers results from (i) strong competition between broadband Internet providers (particularly in the Indian Ocean region), (ii) Outremer's limited marketing emphasis on broadband product offering and (iii) the limited attractiveness of Outremer's IP television services pursuant to an exclusive distribution contract with a satellite television provider (which expired in February 2013).

As of March 31, 2013, Outremer had approximately 82,000 fixed-line telephony subscribers (including B2C and B2B subscribers) compared to approximately 89,000 fixed-line telephony subscribers as of December 31, 2011 implying a net decrease of 7,000 fixed-line telephony subscribers over the period. The decrease in fixed-line telephony subscribers was primarily due to increased competition in the fixed-line telephony services market particularly through competitors' VoIP packages.

As of March 31, 2013, Outremer had approximately 5,000 IP television subscribers which are included in the broadband Internet subscribers. This limited penetration of IP television services is primarily due to a limited number of television programs historically offered by Outremer pursuant to its partnership with a digital satellite television provider. This exclusive distribution contract expired in February 2013. Following the end of this exclusive arrangement, Outremer believes it has a unique opportunity to upgrade its IP television services with the potential to increase its multiple-play revenues. In particular, following the buyout of Le Cable, the leading cable operator in Martinique and Guadeloupe, pursuant to the Outremer Transaction, Outremer will benefit from highly competitive digital television content which it plans to make available in all the French Overseas Territories.

ARPU

Cellular ARPU decreased by €0.1, or 0.3%, to €26.3 for the three months ended March 31, 2013 compared to €26.3 for the three months ended March 31, 2012 and by €2.2, or 7.6%, to €26.7 for the year ended December 31, 2012 compared to €28.9 for the year ended December 31, 2011. This decrease in cellular ARPU during the year ended December 31, 2012 is mainly due to lower cellular termination rates in 2012 compared to 2011, which was partially offset by the improvement in product mix with greater demand for Outremer's higher value post-paid packages following the revamping of its cellular product offering in the first half of 2012. Outremer expects overall cellular ARPU to further decrease in future periods due to price pressure for cellular services. Outremer believes that the impact of competition on cellular ARPU will be partially offset by the on-going improvement of Outremer's product mix due to greater emphasis on post-paid packages.

Broadband ARPU decreased by €4.2, or 7.5%, to €52.1 for the three months ended March 31, 2013 compared to €56.3 for the three months ended March 31, 2012 and by €1.0, or 1.9%, to €53.8 for the year ended December 31, 2012 compared to €54.8 for the year ended December 31, 2011. The decrease in broadband Internet ARPU is primarily a result of the inclusion of unlimited VoIP calls in Outremer's broadband Internet packages (which was previously charged to subscribers) at no additional cost to the subscribers.

Fixed-line telephony ARPU decreased by €2.3, or 11.4%, to €17.8 for the three months ended March 31, 2013 compared to €20.1 for the three months ended March 31, 2012 and by €2.2, or 10.6%, to €18.5 for the year ended December 31, 2012 compared to €20.7 for the year ended December 31, 2011. The decrease in fixed-line telephony ARPU is a result of continued price pressure, particularly from large B2B customers.

Blended ARPU decreased by €0.9, or 3.1%, to €27.8 for the three months ended March 31, 2013 compared to €28.7 for the three months ended March 31, 2012 and by €2.0, or 6.7%, to €28.4 for the year ended December 31, 2012 compared to €30.4 for the year ended December 31, 2011 due to the factors described above.

Discussion and Analysis of Outremer's Operating Results

Basis of Presentation

In order to facilitate the understanding of Outremer's results of operations, this discussion and analysis is based on:

- 2012: the audited consolidated financial statements of Groupe Outremer Telecom as of December 31, 2012 and 2011 and for the years ended December 31, 2012 which includes the 2011 comparative figures.

- March 31, 2013 and 2012: the unaudited condensed consolidated interim financial statements of Groupe Outremer Telecom as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

	Three Months ended March 31,		**Change**	
	2012	**2013**	**Amount**	**%**
	(€ in thousands except percentages)			
Revenues	47,507	48,096	589	1.2
Expenses				
Depreciation and amortization	6,382	5,323	(1,059)	(16.6)
Operating expenses	20,072	19,870	(202)	(1.0)
Sales and marketing expenses	8,292	7,068	(1,224)	(14.8)
General and administrative expenses	3,988	4,287	300	7.5
Other expenses (income), net	818	1,303	486	59.4
Operating income	7,955	10,244	2,289	28.8
Finance income	27	138	111	411.1
Finance expenses	1,221	1,095	(127)	(10.4)
Income before taxes on income	6,761	9,287	2,526	37.4
Taxes on income (benefit)	2,526	3,448	921	36.5
Net income	4,234	5,839	1,605	37.9
Other comprehensive income (loss) (after tax effect)	(190)	201	391	(205.9)
Total comprehensive income (loss)	4,044	6,041	1,996	49.4

Revenues. For the three months ended March 31, 2013, Outremer generated revenues of €48,096 thousand, representing an increase of 1.2% compared to €47,507 thousand for the three months ended March 31, 2012. The increase was mainly driven by a €2,027 thousand increase in cellular subscription revenues as a result of the success of the flat-fee rate plans including unlimited calls towards the French Overseas Territories and mainland France introduced by Outremer in the second quarter of 2012. This increase in cellular subscription revenues was achieved despite the sharp decrease in cellular termination rates (from €0.025 in 2012 to €0.008 in 2013) resulting in lower cellular interconnection revenues. The increase in cellular subscription revenues was partially offset by a €640 thousand decrease in broadband Internet revenues due to increased competition, limited marketing innovation in Outremer's product line and the limited nature of its IP television services provided to broadband Internet customers pursuant to an exclusive distribution contract with a satellite television provider (which expired in February 2013) and a €909 thousand decrease in fixed-line telephony revenues due to continuation in the trend of customers switching from traditional voice telephony towards multi-play VoIP packages and price pressure from large B2B customers. For further details, see "—*Key Operating Measures*".

For the three months ended March 31, 2013, Outremer's operations in the Caribbean (Guadeloupe, Martinique and French Guiana) generated revenues of €31,520 thousand (65.5% of total Outremer revenues) compared to €31,134 thousand (65.5% of total Outremer revenues) for the three months ended March 31, 2012. For the three months ended March 31, 2013, Outremer's operations in the Indian Ocean (La Réunion and Mayotte) generated revenues of €16,576 thousand (34.5% of total Outremer revenues) compared to €16,373 thousand (34.5% of total Outremer revenues) for the three months ended March 31, 2012. Revenues from the Indian Ocean region versus the Caribbean region is impacted by (i) more recent launch of cellular operations in the Indian Ocean (2006/2007), while the Caribbean cellular operations were launched earlier (2004/2005) and (ii) significant competition in the broadband Internet market where Outremer needs to upgrade its IP television package. This geographical catch-up is on-going as the revenue share of the Indian Ocean region was 30.2% for the year 2008 and reached 34.5% for the three months ended March 31, 2013.

Depreciation and amortization. Depreciation and amortization amounted to €5,323 thousand for the three months ended March 31, 2013, a decrease of 16.6% compared to €6,382 thousand for the three months ended March 31, 2012. This decrease is due to the fact that (i) Outremer had lower capital expenditures in 2012 (€28,347 thousand) compared to 2011 (€35,989 thousand) and (ii) certain investments in 2013 were made after the three months ended March 31, 2013. See "—*Capital Expenditures*".

Operating expenses. Operating expenses amounted to €19,870 thousand for the three months ended March 31, 2013, a decrease of 1.0% compared to €20,072 thousand for the three months ended March 31, 2012. This decrease was mainly due to measures taken by Outremer to optimize its fixed costs, including to reduce payroll through (i) automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets, (ii) reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius hence reducing headcount in the French Overseas Territories and (iii) increased used of online self-care systems.

Sales and marketing expenses. Sales and marketing expenses were €7,068 thousand for the three months ended March 31, 2013, a decrease of 14.8% compared to €8,292 thousand for the three months ended March 31, 2012. This decrease was principally due to the absence of new product launches during the three months ended March 31, 2013, while the corresponding period in 2012 was marked by increased activities relating to new products introductions, in particular the cellular flat-fee rate plans, which Outremer began offering in the second quarter of 2012.

General and administrative expenses. General and administrative expenses were €4,287 thousand for the three months ended March 31, 2013, an increase of 7.5% compared to €3,988 thousand for the three months ended March 31, 2012. This increase was principally due to the restructuring costs derived from the asset acquisition of Kertel, a small fixed-line operator in the French Overseas Territories, and the start-up costs associated with Outremer's payment services.

Other expenses (net). Other expenses (net) amounted to €1,303 thousand for the three months ended March 31, 2013, an increase of 59.4% compared to €818 thousand for the three months ended March 31, 2012. This was primarily due to lower subsidies applicable during the three months ended March 31, 2013 as well as an increase of bad debts expenses as a result of increased unpaid bills in January 2013 due to delayed payments of social welfare benefits.

Operating income. As a result of the factors described above, operating income was €10,244 thousand for the three months ended March 31, 2013, an increase of 28.8% compared to €7,955 thousand for the three months ended March 31, 2012.

Finance expenses (net). Net finance expenses for the three months ended March 31, 2013 was €957 thousand, a decrease of 19.9% compared to €1,194 thousand for the three months ended March 31, 2012. This decrease in net finance expenses is due to continued reduction of total debt after a new debt package was put in place in September 2011 (debt push down) resulting in lower levels of debt during the three months ended March 31, 2013 compared to the corresponding period in the previous year.

Taxes on income. Taxes on income amounted to €3,448 thousand for the three months ended March 31, 2013, an increase of 36.5% compared to €2,526 thousand for the three months ended March 31, 2012. This increase was due to total consumption in 2012 of all net operating losses that could be applied to offset Outremer's income as well as the significant growth in Outremer's operating income during the three months ended March 31, 2013.

Net income. As a result of the factors described above, net income was €5,839 thousand for the three months ended March 31, 2013, an increase of 37.9% compared to €4,234 thousand for the three months ended March 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

	Year ended December 31,		Change	
	2011	2012	Amount	%
	(€ in thousands except percentages)			
Revenues	194,318	195,127	810	0.4
Expenses				
Depreciation and amortization	24,672	25,614	942	3.8
Operating expenses	87,184	84,059	(3,125)	(3.6)
Sales and marketing expenses	30,693	32,571	1,878	6.1
General and administrative expenses	17,464	17,155	(308)	(1.8)
Other expenses (income), net	848	1,262	414	48.8
Operating income	33,456	34,466	1,010	3.0
Finance income	1,644	773	(871)	(53.0)
Finance expenses	4,665	5,222	557	11.9
Income before taxes on income	30,485	30,017	(467)	(1.5)
Taxes on income (benefit)	10,646	11,218	572	5.4
Net income	19,839	18,799	(1,040)	(5.2)
Other comprehensive loss (after tax effect)	349	660	311	89.1
Total comprehensive income (loss)	19,488	18,139	(1,349)	(6.9)

Revenues. For the year ended December 31, 2012, Outremer generated revenues of €195,127 thousand, representing an increase of 0.4% compared to €194,318 thousand for the year ended December 31, 2011. The slight increase in revenues was mainly driven by an increase in cellular subscription revenues by €4,400 thousand (despite the sharp decrease in cellular termination rates which reduced cellular interconnection revenues) due to the improvement in Outremer's product mix, in particular with the growth of high-ARPU flat-fee rate plans including unlimited calls towards the French Overseas Territories and mainland France introduced in the second quarter of 2012, which was offset by a €3,984 thousand decrease in fixed-line telephony revenues due to continuation in the trend of customers switching from traditional voice telephony towards multi-play VoIP packages. Revenues from broadband Internet services remained relatively stable during the period, which was influenced by increased competition, limited marketing investment made by Outremer on triple-play products and the limited nature of its IP television services provided to broadband Internet customers pursuant to an exclusive distribution contract with a satellite television provider. For further details, see "—*Key Operating Measures*".

For the year ended December 31, 2012, Outremer's operations in the Caribbean (Guadeloupe, Martinique and French Guiana) generated revenues of €127,980 thousand (65.6% of total Outremer revenues) compared to €125,968 thousand (64.8% of total Outremer revenues) for the year ended December 31, 2011. For the year ended December 31, 2012, Outremer's operations in the Indian Ocean (La Réunion and Mayotte) generated revenues of €67,147 thousand (34.4% of total Outremer revenues) compared to €68,350 thousand (35.2% of total Outremer revenues) for the year ended December 31, 2011. The main reason behind this revenue decrease in the Indian Ocean region during the twelve months ended December 31, 2012 is due to the intense competitive pressure on the broadband Internet market in the Indian Ocean region where Outremer faces five competitors (Orange, SRR, IZI, MediaServ and ZeOp) while Outremer only competes with Orange and MediaServ in the Caribbean region. Revenues from the Indian Ocean region versus the Caribbean region is also impacted by (i) more recent launch of cellular operations in the Indian Ocean (2006/2007), while the Caribbean cellular operations were launched earlier (2004/2005) and (ii) significant competition in the broadband Internet market where Outremer needs to upgrade its IP television package. This geographical catch-up is on-going as the revenue share of the Indian Ocean region was 30.2% for the year 2008 and reached 34.5% for the three months ended March 31, 2013.

Depreciation and amortization. Depreciation and amortization amounted to €25,614 thousand for the year ended December 31, 2012, an increase of 3.8% compared to €24,672 thousand for the year ended December 31, 2011.

This increase is due to the full year impact of higher capital expenditures in 2011 (€35,989 thousand) compared to 2010 (€13,060 thousand), due to the roll-out of 3G networks in Mayotte and a catch-up in network densification.

Operating expenses. Operating expenses amounted to €84,059 thousand for the year ended December 31, 2012, a decrease of 3.6% compared to €87,184 thousand for the year ended December 31, 2011. This decrease was mainly due to the lower interconnections costs associated with a reduction in cellular termination rates accounting for €1,900 thousand of savings and further measures taken by Outremer to optimize its fixed costs, including to reduce payroll (in particular through reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius).

Sales and marketing expenses. Sales and marketing expenses were €32,571 thousand for the year ended December 31, 2012, an increase of 6.1% compared to €30,693 thousand for the year ended December 31, 2011. This increase was principally due to increased marketing costs associated with the comprehensive revamping of Outremer's cellular service portfolio in 2012, including the launch of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France, and increased variable costs to sales agents due to the resultant increase in sales.

General and administrative expenses. General and administrative expenses were €17,155 thousand for the year ended December 31, 2012, a decrease of 1.8% compared to €17,464 thousand for the year ended December 31, 2011. This decrease was principally due to lower bank charges and lower administrative costs.

Other expenses (net). Other expenses (net) amounted to €1,262 thousand for the year ended December 31, 2012, an increase of 48.8% compared to €848 thousand for the year ended December 31, 2011. This was primarily due to lower levels of tax subsidies in the year ended December 31, 2012, which was in turn impacted by the lower level of capital expenditures in 2012 compared to 2011. These subsidies are awarded by the French State in return for Outremer's large investments which benefits employment and GDP in the French Overseas Territories.

Operating income. As a result of the factors described above, operating income was €34,466 thousand for the year ended December 31, 2012, an increase of 3.0% compared to €33,456 thousand for the year ended December 31, 2011.

Finance expenses (net). Net finance expenses for the year ended December 31, 2012 was €4,449 thousand, an increase of 49.7% compared to €2,972 thousand for the year ended December 31, 2011. This increase was due to the full year impact of the debt push down of €40,000 thousand implemented in September 2011, which significantly increased interest rates expenses.

Taxes on income. Taxes on income amounted to €11,218 thousand for the year ended December 31, 2012, an increase of 5.4% compared to €10,646 thousand for the year ended December 31, 2011. This increase was due to a non-recurring fiscal increase, associated with the change in tax consolidation which did not allow Outremer to offset dividend distribution costs.

Net income. As a result of the factors described above, net income was €18,799 thousand for the year ended December 31, 2012, a decrease of 5.2% compared to €19,839 thousand for the year ended December 31, 2011.

Outremer's Cash Flow Statement

The table below summarizes Outremer's consolidated cash flow for the different periods.

	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2012	2013
	€ in thousands			
Cash and cash equivalents at beginning of period	37,751	19,467	19,467	26,083
Net cash generated by current operations	48,853	53,140	10,546	9,237
Net cash provided by (used in) investment operations	(19,760)	(22,496)	(3,326)	(6,858)
Net cash provided by (used in) financing operations.	(47,421)	(23,891)	(4,529)	(6,158)
Increase (decrease) in cash and cash equivalents	(18,328)	6,753	2,691	(3,779)
Cash and cash equivalents at end of period[1]	19,467	26,083	22,145	22,316

After taking into account changes in interest rate which had a positive impact of €44 thousand and a negative impact of €135 thousand in the years ended December 31, 2012 and 2011 respectively and a positive impact of €12 thousand and negative impact of €13 thousand in the three months ended March 31, 2013 and 2012 respectively.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

Net cash generated by current operations. Net cash generated by current operations decreased by 12.4% to €9,237 thousand for the three months ended March 31, 2013 compared to €10,546 thousand for the three months ended March 31, 2012. This decrease can be attributed to a €2,472 thousand negative impact from changes in the operating working capital position, among other factors, due to a €3,138 thousand increase in the amount of trade payables, which was partially offset by the increase in Outremer's EBITDA by €1,715 thousand.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Net cash generated by current operations. Net cash generated by current operations increased by 8.8% to €53,140 thousand for the year ended December 31, 2012 compared to €48,853 thousand for the year ended December 31, 2011. This increase can be attributed to the €2,350 thousand increase in EBITDA for the year ended December 31, 2012 and the €4,183 thousand positive impact from changes in the working capital position due to better working capital management (€3,005 thousand increase in trade payables and €921 thousand decrease in receivables), partially offset by increased tax paid.

Capital Expenditures

Outremer's capital expenditures primarily relate to (i) expenditures relating to its cellular services including extending, upgrading and maintaining its cellular network, (ii) expenditures relating to extending, upgrading and maintaining its fixed-line network and investments in triple-play network capacity, (iii) costs of connecting customer premises and investment in hardware, such as modems, routers and other equipment, (iv) expenditures relating to upgrading and maintaining its information technology infrastructure such as applications, servers, software, database and firewall and (v) expenditures related to its self-owned distribution network.

The table below summarizes Outremer's capital expenditures for the different periods.

	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2012	2013
Modems and Converters Related[1]	2,747	3,673	829	785
Fixed-Line Network Related (Including Centers & IRU)[2]	8,388	5,031	305	540
Mobile Related[3]	19,108	9,419	1,834	2,655
Payment Platform[4]	—	1,159	—	133
Other[5]	5,746	9,067	1,446	2,326
Total Capital Expenditures	**35,989**	**28,347**	**4,413**	**6,438**

[1] Connection of customer premises and investment in hardware, such as modems, routers and other equipment, which is directly linked to subscribers growth for Outremer's fixed-line services consisting of Internet, fixed-line telephony and IP television services.

[2] Investment in improving or expanding the fixed-line network and fixed-line platforms and investments in triple-play related network capacity. Investments in points of presence (hubs) such as energy and cooling are also included here despite the fact they are also used by the cellular platforms. IRUs are included here since these are primarily dimensioned by triple-play customer usage growth.

[3] Investment in improving or expanding cellular networks, investments in cellular platforms and investments in network capacity and other intangible assets.

[4] Includes research and development and software license costs associated with the development of Outremer's self-service payment machines.

[5] Includes information technology expenses, distribution network and other investments which are common to fixed-line and cellular activities, and capitalized labor.

For the three months ended March 31, 2013, Outremer's total capital expenditures were €6,438 thousand compared to €4,413 thousand for the three months ended March 31, 2012. The increase was primarily due to (a) work related to the expansion of its 3G cellular network relatively early in the year during the course of the three months ended March 31, 2013 (in order to be in a position to meet ARCEP coverage targets for 3G services for the second quarter of 2013) compared to 2012 when such expenditures were primarily incurred later in the year, (b) certain major renovation works relating to its distribution network and (c) the acquisition of Kertel, a small fixed-line operator in the French Overseas Territories.

For the year ended December 31, 2012, Outremer's total capital expenditures were €28,347 thousand compared to €35,989 thousand for the year ended December 31, 2011. The decrease was primarily due to the higher level of capital expenditures in the year ended December 31, 2011 as a result of major IRU upgrades in the Caribbean region as well as major cellular related investments, which included launching 3G cellular services in Mayotte and investments in real-time billing software.

Critical Accounting Policies, Judgments and Estimates

See note 8 to Groupe Outremer Telecom's financial statements as of and for the year ended December 31, 2012, included elsewhere in this Offering Memorandum.

BUSINESS, INDUSTRY AND MARKET OVERVIEW OF CABOVISAO AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CABOVISAO

The following discussion and analysis is intended to assist in providing an understanding of Cabovisao's financial condition, changes in financial condition and results of operations and should be read together with the following financial statements included elsewhere in the Offering Memorandum: (i) the audited financial statements of Cabovisão—Televisão por Cabo, S.A. as of December 31, 2012 and for the four months ended December 31, 2012, including the accompanying notes, prepared in accordance with the Portuguese Accounting Standards, (ii) the audited financial statements of Cabovisão—Televisão por Cabo, S.A. as of August 31, 2012 and 2011 and for the years ended August 31, 2012 and 2011, including the accompanying notes, prepared in accordance with the Portuguese Accounting Standards System (the "Portuguese Accounting Standards") and (iii) the unaudited condensed interim financial statements of Cabovisao as of March 31, 2013 and for the three months ended March 31, 2013 and 2012 prepared in accordance with the Portuguese Accounting Standards. These financial statements may differ from the financial data presented in this section on which the discussion and analysis of the financial condition and results of operations of Cabovisao are based. See "—Basis of Presentation". Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of certain important factors to be evaluated in connection with a prospective purchase of Notes. In this section only, (i) references to "we", "us", and "our" refer to the Group and (ii) references to "Cabovisao" are to Cabovisão—Televisão por Cabo, S.A.

Business Overview

Cabovisao provides cable television (digital and analog), high speed Internet and fixed-line telephony services across several regions of Portugal. Cabovisao, which is headquartered in Palmela, Portugal, is a leading cable operator in Portugal with approximately 29% aggregate pay television market share in the regions of Portugal in which it operates (according to Cabovisao's estimates) and approximately 9% pay television market share nationally (according to IHS estimates). Despite operating in a highly concentrated market where it competes with Portugal Telecom, the incumbent fixed and mobile telecommunications operator, and ZON Multimedia, the largest cable operator in Portugal, Cabovisao's market share has remained stable due to its competitive pricing, focus on triple-play services and limited overbuild with respect to its main competitors.

Cabovisao benefits from a state-of-the-art Hybrid Fiber-Coaxial, or HFC, cable network that passed approximately 906,000 homes as of March 31, 2013. Cabovisao's cable network extends over 3,647 km and includes 224,000 km of optical fiber. Approximately 96% of the network has been upgraded to DOCSIS 3.0. Cabovisao fully owns its distribution networks, head-ends and drops, which gives it significant flexibility to deploy and constantly improve its product offering.

Altice acquired Cabovisao in February 2012 from a Canadian cable operator. Following the acquisition, Cabovisao has implemented an operational optimization program that has resulted in improvements in key performance indicators, higher operating margin and increased cash flow generation. In addition, Cabovisao expects higher free cash flow in future periods as the network investments made in prior years are expected to result in lower future capital expenditure requirements.

As of March 31, 2013, Cabovisao had approximately 249,000 Cable Customer Relationships totaling approximately 632,000 RGUs (approximately 2.54 RGUs per Cable Customer Relationship). Cabovisao provides the following products and services:

- *Multiple-play.* Cabovisao was the first Portuguese cable operator to offer triple-play services comprising television, high-speed broadband Internet and fixed telephony services, which it began to offer in 2000. As of March 31, 2013, approximately 57.4% of Cabovisao's Cable Customer Relationships subscribed to its triple-play services, representing one of the highest numbers of triple-play customers in Portugal measured as a percentage of cable customer relationships, which enhances its competitive position.

- *Pay Television.* Cabovisao offers subscribers analog and digital television services. Cabovisao's analog television service includes access to over 30 television channels. Subscribers to Cabovisao's basic digital television service can choose from a range of over 70 or 110 digital television channels (including all of the analog television channels) and are also able to access certain premium content and interactive services, such as VOD and catch-up TV. Cabovisao's premium television service provides customers a wider range of digital premium channels, together with certain optional interactive features such as VOD, access to additional HD channels and HD premium content and certain other premium services. As of March 31, 2013, Cabovisao provided cable television services to approximately 238,000 RGUs. The proportion of analog subscribers to total television subscribers has decreased from 38.5% as of December 31, 2011 to 35.3% as of March 31, 2013 as Cabovisao has encouraged analog subscribers to migrate to the more attractive digital product offering. Cabovisao's cable television, including digital and analog, ARPU was €20.52 for the three months ended March 31, 2013 and €20.46 for the twelve months ended December 31, 2012.

- *Broadband Internet.* Cabovisao provides high speed broadband Internet services to subscribers. As of March 31, 2013, Cabovisao provided broadband Internet services to approximately 157,000 RGUs.

- *Fixed-Line Telephony.* Cabovisao offers subscribers local, national and international long distance fixed-line telephony services and a variety of value-added telephony features. Cabovisao uses Voice over Internet Protocol, or VoIP, technology which utilizes the open standards EuroDocsis protocol, and through which it is able to provide both Internet and telephony services. As of March 31, 2013, Cabovisao provided fixed-line telephony services to approximately 237,000 RGUs.

For the twelve months ended December 31, 2012, Cabovisao generated revenues of €117,927 thousand and the Cabovisao Adjusted EBITDA was €33,979 thousand, with a cable based services ARPU of €34.91. For the three months ended March 31, 2013, Cabovisao generated revenues of €28,892 thousand and the Cabovisao Adjusted EBITDA was €11,984 thousand, with a cable based services ARPU of €36.1. The following table presents a reconciliation of Cabovisao Adjusted EBITDA to net income (loss) for the respective periods.

	For the twelve months ended December 31,		For the three months ended March 31,	
	2011	2012	2012	2013
	(€ in thousands)			
Cabovisao Adjusted EBITDA[1]	17,488	33,979	4,023	11,984
Management Fees[2]	671	4,500	197	667
Reorganization and extraordinary costs[3]	(278)	7,745	328	(76)
Depreciation and amortization	157,583	44,275	(113,629)	8,703
Financing expenses, net	3,628	2,147	(13)	706
(Taxes on income) benefit	100	268	97	—
Net income (loss)	(144,215)	(24,956)	117,044	1,984

(1) Cabovisao Adjusted EBITDA represents net income before net financing income, taxes on income, depreciation and amortization, and before reorganization and extraordinary costs and management fees. Cabovisao Adjusted EBITDA is an additional measure used by management to demonstrate its underlying performance and should not replace the measures in accordance with IFRS as an indicator of its performance, but rather should be used in conjunction with the most directly comparable IFRS measure.

(2) Reflects management fees paid to Altice VII and, in the year ended December 31, 2011, to Cabovisao's prior shareholder.

(3) Reflects costs mainly relating to the operational optimization program implemented by Altice following its acquisition of Cabovisao in February 2012 and other one-off gains and losses considered extraordinary or non-recurring. In the three months ended March 31, 2013, Cabovisao recognized an extraordinary gain primarily from certain sales of materials to service providers that it considers to be non-recurring.

Industry Overview

As at December 31, 2012, according to IHS, Portugal had an estimated 79% penetration rate in pay television, putting it at par with the U.S. and most advanced EU peers. Pay television penetration has been stable or rising over the past three years driven by the Portuguese being avid consumers of a variety of pay television channels and the relative weakness of free terrestrial television which only transmits five channels. Pay television has historically been primarily provided over the cable platform with DTH a complementary platform in rural areas and more recently, IPTV, primarily in areas where fiber is present. Most of the pay television market is divided between three players, with ZON Multimedia ("ZON") as the largest player by number of subscribers, Portugal Telecom as a challenger and Cabovisao, which provides cable services within its footprint. Based on IHS estimates, as of December 3, 2012 ZON, Portugal Telecom and Cabovisao had approximately 51%, 37% and 8% of market share nationwide, respectively. Portugal Telecom primarily offers low priced IPTV, predominately in fiberd areas and to a lesser extent on its DSL network. However, it also has a DTH offering for rural areas where its DSL network suffers from technological limitations. Portugal Telecom's IPTV offering, sold primarily as part of triple-play packages, has historically not taken customers away from cable (although it did affect ZON's DTH subscribers who preferred Portugal Telecom's arguably cheaper bundles), while driving the increase in pay television penetration. Pay television ARPUs are stable or slightly declining, notably as households are under pressure to reduce recurring expenses due to austerity measures which, in some instances, lead them to purchase sub-premium television packages. These ARPU trends are primarily affecting the more competitive areas where several offers (from the main providers) are available.

In broadband internet access and telephony, penetration is relatively low but growing fast, reaching 55% as of December 2012, still below Western European average of 62%, according to IHS. Fixed-line telephony penetration is

95% in Portugal as of December 2012 compared to the Western European average of 84%, according to IHS. There are a number of players providing broadband services to residential clients in Portugal. Portugal Telecom is the incumbent communications operator, historically a monopoly in fixed line telephony and broadband internet access with a market share estimated by IHS of 51% as of December 31, 2012 according to IHS. ZON and Cabovisao have grown their broadband presence on the back of DOCSIS networks and, over the years, have become large competitors of Portugal Telecom in broadband internet access and telephony, with nationwide broadband internet access market shares estimated by IHS at 33% and 7% respectively as of December 31, 2012. Mobile operators Sonaecom and Vodafone also have large mobile operations but a limited (although growing) fixed line network. In December 2012, Sonaecom and ZON announced their intentions to combine some of their operations, allowing ZON to offer quadruple-play bundles combining cable-based triple-play and mobile. In Fixed-line telephony, Portugal Telecom maintains a market share of 64% while ZON and Cabovisao have market shares of 22% and 6%, respectively, as of December 31, 2012 according to IHS.

Triple-play is increasingly becoming the norm in Portugal, with ZON and Cabovisao emerging as the leaders. Portugal Telecom is rapidly catching up with its Meo offer, launched to address the decline in its fixed line telephony customer base.

Given the relatively wide availability of content, the quality of the network infrastructure underpinning the broadband internet access product remains an important asset for operators. Since 2008, Portugal Telecom has engaged in significant fiber deployment, primarily overbuilding ZON's network, notably thanks to government subsidies. As at November 2012, Portugal Telecom estimated that it passes 1.6 million homes with 890,000 km of fiber. In the meantime, DOCSIS 3.0 networks such as the ones owned and operated by ZON and Cabovisao allow the provision of high download speeds which are likely to remain far above effective speeds offered to or used by residential customers for several years to come and, as a result, remain largely able to compete against most of fiber deployed by Portugal Telecom, including fiber to the home, available only in certain areas.

While austerity measures in place and the uncertain economic situation in Portugal continue to weigh on the telecommunications market, as customers and businesses shy away from premium service subscriptions leading to somewhat lower ARPUs and revenues, certain segments, such as pay television, and cable operators overall have continued to perform better than fixed line telecom operators in terms of headline growth performance, notably due to the stickiness of their customer base on the back of high penetration of bundled products.

Cabovisao primarily competes in areas where it has a network which accounted for approximately 906 thousand homes passed as of March 31, 2013, including large cities/regions such as Palmela, Estarreja, Caldas da Rainha, Araiollos and others. As its network remains outside the main cities of Lisbon and Porto, it is overbuilt by ZON and Portugal Telecom on only approximately 55% and 36% of its network, respectively, according to management estimates. Within its footprint, Cabovisao has high market shares, which management estimates at 29% in pay television, 28% in broadband internet access and 30% in fixed line telephony, in each case as of December 2012.

Portuguese players are also increasingly looking to B2B as an integral part of their strategy. In particular, B2B players are aiming to move away from voice services to higher margin data services and, increasingly, integrated solutions for customers including ICT and outsourcing. Portugal Telecom has been active in this segment for the past two decades, with a wide range of customers (SMEs, as well as large organizations), and has stated that it is targeting for 50% of its B2B revenues to come from IT, outsourcing and managed services in the future, with the rest of revenues equally split between equipment sales, data and voice. Cabovisao is also looking to enter the B2B market by merging with ONI Group, a leading Portuguese B2B communications provider with an over 20% market share, according to management estimates. Cabovisao is aiming to leverage its extensive last mile DOCSIS 3.0-enabled network infrastructure to benefit from important cost and revenue synergies from a combination of the two businesses.

Key Operating Measures

Cabovisao uses several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of its business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from Cabovisao's internal operating systems. As defined by Cabovisao's management, these terms may not be directly comparable to similar terms used by competitors or other companies. As ARPU varies considerably for Cabovisao's different services, RGU growth is not necessarily indicative of the overall development of Cabovisao's business and results of operations.

	As of and for the twelve months ended December 31,		As of and for the three months ended March 31,
	2011	2012	2013
Cabovisao Summary Statistical and Operating Data			
Homes Passed[1]	906,000	906,000	906,000
Customer Relationships			
Cable Customer Relationships[2]	264,000	255,000	249,000
Cable Revenue Generating Units (RGUs)[3]			
Digital Television RGUs	157,000	156,000	154,000
Analog Television RGUs	98,000	89,000	84,000
Total Television RGUs	256,000	245,000	238,000
Broadband Internet RGUs	162,000	159,000	157,000
Fixed-Line Telephony RGUs	251,000	243,000	237,000
Total Cable RGUs	669,000	648,000	632,000
Cable RGUs per Cable Customer Relationship (in units)	2.53	2.54	2.54
Cable Services Penetration			
Television RGUs as % of Homes Passed	28%	27%	26%
Broadband Internet RGUs as % of Homes Passed	18%	18%	17%
Fixed-Line Telephony RGUs as % of Homes Passed	28%	27%	26%
Cable Customer Bundling			
Triple-Play Customer Relationships as % of Cable Customer Relationships	58.3%	57.7%	57.4%
Churn[4]			
Churn in Television RGUs	21.17%	21.16%	25.03%
ARPU[5]			
Cable based services ARPU (in €)	36.87	34.91	36.05
Television ARPU (in €)	21.84	20.46	20.52

[1] The number of homes passed includes the number of rooms, apartments or housing units in each of the hotels, hospitals, social housing or other multiple dwelling housing units Cabovisao serves with its bulk contracts.

[2] Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of Cabovisao's cable based services (including pay television, broadband Internet infrastructure access or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premise or homes passed basis.

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

[4] Churn is calculated by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription by Cabovisao) by the average number of subscribers for such service. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two. For the three months ended March 31, 2013, the churn shown is the annualized churn, calculated by multiplying the churn for the three months ended March 31, 2013 by four.

[5] ARPU is an average monthly measure that Cabovisao uses to evaluate how effectively it is realizing revenues from subscribers. ARPU is calculated by dividing the revenue for the service provided (including revenue earned from set-top box rentals, VOD and interconnection, but excluding installation fees and set-top box sales), in each case including the proportional allocation of the bundling discount, and after certain discounts, for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two.

Subscribers and RGUs

As of March 31, 2013, Cabovisao had approximately 249,000 Cable Customer Relationships, which represented a decrease of approximately 15,000 Cable Customer Relationships compared to December 31, 2011. Cabovisao's total number of RGUs decreased by approximately 37,000, to approximately 632,000 RGUs as of March 31, 2013 from approximately 669,000 RGUs as of December 31, 2011. The decrease in Cable Customer Relationships and RGUs over this period was primarily due to increased competition in the cable-based services industry, including additional focus on multiple-play offerings by Cabovisao's competitors, and was also impacted by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. Cabovisao's ratio of RGUs per Cable Customer Relationships was stable at 2.54 services as of March 31, 2013 compared to 2.53 services as of December 31, 2011.

As of March 31, 2013, Cabovisao had approximately 238,000 pay television RGUs, compared to approximately 256,000 pay television RGUs as of December 31, 2011, implying a net decrease of approximately 18,000 television

RGUs over the period. This decrease was primarily due to aggressive promotions and pricing policies adopted by competitors and Cabovisao's strategic decision during the course of 2012 to cease offering certain aggressively priced packages, which resulted in a high churn rate for Cabovisao's pay television services. Cabovisao's television RGUs churn rate for the three months ended March 31, 2013 was 25.03%. Cabovisao's television RGUs churn rate for the twelve months ended December 31, 2012 was 21.16% compared to 21.17% for the twelve months ended December 31, 2011.

As of March 31, 2013, Cabovisao had approximately 157,000 broadband Internet RGUs compared to approximately 162,000 broadband Internet RGUs as of December 31, 2011, implying a net decrease of approximately 4,000 broadband Internet RGUs over the period. The decrease in broadband Internet RGUs was primarily due to aggressive promotions and pricing policies adopted by competitors, including their focus on multiple-play offerings with a broadband Internet component.

As of March 31, 2013, Cabovisao had approximately 237,000 fixed-line telephony RGUs compared to approximately 251,000 fixed-line telephony RGUs as of December 31, 2011, implying a net decrease of approximately 14,000 fixed-line telephony RGUs over the period. The decrease in fixed-line telephony RGUs was primarily due to aggressive promotions and pricing policies adopted by competitors, including their focus on multiple-play offerings with a fixed-line telephony component and Cabovisao's strategic decision during the course of 2012 to cease offering certain aggressively priced packages.

Cabovisao has implemented certain measures which are aimed at improving its competitive position in future periods by increasing the RGUs for its various services, including improvements to its website which will enable customers to directly subscribe for Cabovisao's products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU growth in future periods.

ARPU

Cable-based services ARPU increased by €0.81, or 2.30%, to €36.05 for the three months ended March 31, 2013 compared to € 35.24 for the three months ended March 31, 2012 and decreased by €1.96, or 5.3%, to €34.91 for the twelve months ended December 31, 2012 compared to €36.87 for the twelve months ended December 31, 2011. Television ARPU increased marginally by €0.08, or 0.39%, to €20.52 for the three months ended March 31, 2013 compared to €20.44 for the three months ended March 31, 2012 and decreased by €1.38, or 6.32%, to €20.46 for the twelve months ended December 31, 2012 compared to €21.84 for the twelve months ended December 31, 2011.

In 2012, Cabovisao's cable-based services ARPU and pay television ARPU were negatively impacted by aggressive competition in each segment of the cable services market which required Cabovisao to offer discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to Cabovisao's RGUs were generally lower than the ARPU for customers churned. Cabovisao nevertheless took the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU. In the three months ended March 31, 2013, Cabovisao's cable-based services ARPU and pay television ARPU were positively impacted by (i) Cabovisao's strategic decision during the course of 2012 to cease offering certain aggressively priced packages and (ii) the increase of prices of Cabovisao's cable-based services with effect from January 2013 in line with the market.

Discussion and Analysis of Cabovisao's Operating Results

Basis of Presentation

In order to facilitate the understanding of Cabovisao's results of operations and to align the historical periods for which we have presented the discussion and analysis of the results of operations of Cabovisao with the reporting periods of other operating entities within the Group, this discussion and analysis is based on:

- *2012:* the unaudited pro forma financial statements of Cabovisao as of and for the twelve months ended December 31, 2012 aggregating the (a) unaudited financial statements of Cabovisao for the period from January 1, 2012 to August 31, 2012 and (b) audited financial statements of Cabovisao for the period from September 1, 2012 to December 31, 2012, adjusted by pro forma IFRS journal entries (the "2012 Cabovisao IFRS Data")

- *2011:* the unaudited pro forma financial statements of Cabovisao as of and for the twelve months ended December 31, 2011 aggregating the (a) unaudited financial statements of Cabovisao for the period from January 1, 2011 to August 31, 2011 and (b) unaudited financial statements of Cabovisao for the period from September 1, 2011 to December 31, 2011, adjusted by pro forma IFRS journal entries (the "2011 Cabovisão IFRS Data")

- *March 31, 2013 and 2012:* the unaudited pro forma financial statements of Cabovisao as of and for the three months ended March 31, 2013, which correspond to the unaudited financial statements of Cabovisao for the period from January 1, 2013 to March 31, 2013, adjusted by pro forma IFRS journal entries (the "2013 Q1 Cabovisão IFRS Data") and the unaudited pro forma financial statements of Cabovisão as of and for the three months ended March 31, 2012, which correspond to the unaudited financial statements of Cabovisão for the period from January 1, 2012 to March 31, 2012 adjusted by pro forma IFRS journal entries (the "2012 Q1 Cabovisão IFRS Data").

Until August 31, 2012, the financial year of Cabovisao for reporting purposes was from September 1 to August 31. With effect from September 1, 2012, Cabovisao changed its financial year for reporting purposes to run from January 1 to December 31. In connection with this change in its reporting period, Cabovisao prepared its financial statements as of and for the four months ended December 31, 2012 in accordance with the Portuguese Accounting Standards which have been audited by Baker Tilly, PG & Associados, SROC, S.A. See "*Presentation of Financial and Other Information*".

Cabovisao's historical financial statements included elsewhere in this Offering Memorandum have been prepared in accordance with the Portuguese Accounting Standards. However, to align the accounting framework used to present the discussion and analysis of the results of operations of each of the Group's operating entities in order to facilitate the comparability of the Group's various businesses, we have presented the following discussion and analysis of the results of operations of Cabovisao based on a reconciliation of financial data of Cabovisao for the periods presented from Portuguese Accounting Standards to IFRS. Financial statements prepared in accordance with the Portuguese Accounting Standards may differ in certain significant respects from IFRS, which are described below.

Summary of Significant Differences between Portuguese Accounting Standards and IFRS

The primary differences between the Portuguese Accounting Standards and IFRS are set forth below:

- The expenses related to exchange rate fluctuations are classified as operational expenses under Portuguese Accounting Standards and financial expenses under IFRS;

- The expenses related to default interests (late payments to suppliers) are classified as operational expenses under Portuguese Accounting Standards and financial expenses under IFRS; and

- The expenses related to stamp duty in connection with financings are classified as operational expenses under Portuguese Accounting Standards and financial expenses under IFRS.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

	Three Months ended March 31,		Change	
	2012[(1)]	2013[(2)]	Amount	%
	(€ in thousands except percentages)			
Revenues	29,701	28,892	(809)	(2.7)
Expenses				
Depreciation and amortization (gain)	(113,629)	8,703	122,332	—
Operating expenses	17,762	12,532	(5,230)	(29.4)
Sales and marketing expenses	3,509	2,044	(1,465)	(41.7)
General and administrative expenses	4,637	2,912	(1,725)	(37.2)
Other expenses (income), net	296	12	(284)	(95.9)
Operating income	117,127	2,690	(114,437)	(97.7)
Finance income	(17)	(2)	15	88.2
Finance expenses	4	708	704	17,600
Income before taxes on income	117,140	1,984	(115,156)	(98.3)
Taxes on income (benefit)	97	—	(97)	(100)
Net income	117,044	1,984	(115,060)	(98.3)

(1) Reflects the 2012 Q1 Cabovisao IFRS Data.

(2) Reflects the 2013 Q1 Cabovisao IFRS Data.

Revenues. For the three months ended March 31, 2013, Cabovisao's revenues amounted to €28,892 thousand representing a decrease of 2.7% compared to €29,701 thousand for the three months ended March 31, 2012. The decrease was mainly driven by a decrease in television revenues of €1,200 thousand, fixed-line telephony revenues of €196 thousand and broadband Internet revenues of €195 thousand, while other revenues increased by €782 thousand. The decreases in television, broadband Internet and fixed-line telephony revenues was due to aggressive competition in the Portuguese cable services market during the three months ended March 31, 2013 and Cabovisao's strategic decision during the course of 2012 to cease offering certain aggressively priced packages. These factors resulted in losses of Cable Customer Relationships and RGUs by Cabovisao. In the three months ended March 31, 2013, Cabovisao experienced a net decrease of approximately 7,000 television RGUs, approximately 2,000 broadband Internet RGUs and approximately 6,000 telephony RGUs. For further details, see "—*Key Operating Measures*". Revenues were also impacted by the increased take-up of Cabovisao's monthly fixed rate package with unlimited calls and discounted prices in connection with its bundled offerings. Other revenues increased primarily due to the introduction in November 2012 of an administrative fee for customers requiring paper billing, aimed at incentivizing customers to opt for paperless billing.

Depreciation and amortization. Depreciation and amortization expenses amounted to €8,703 thousand for the three months ended March 31, 2013, compared to a gain of €113,629 thousand for the three months ended March 31, 2012. This reflected the reversal, in the first quarter of 2012, of a previously recorded impairment charge on fixed assets which had a net positive impact of €122,088 thousand for the three months ended March 31, 2012 (consisting of the reversal of the gross value of such impairment charge reduced by catch-up depreciation on the relevant assets). In May 2011, Cabovisao recorded an impairment loss relating to its principal tangible fixed assets (its cable network), amounting to approximately €141,664 thousand and at the same time it stopped recording depreciation on the amount of such impaired assets. During Cabovisao's financial year ended August 31, 2012, following a change in the ownership of Cabovisao, the impairment charge was reviewed and it was concluded that there was not sufficient rational for the impairment charge. Accordingly, the impairment charge was reversed in its entirety and the gain for the three months ended March 31, 2012 includes the amount of such reversal reduced by depreciation on the relevant fixed assets with effect from May 1, 2011 to March 31, 2012.

Operating expenses. Operating expenses amounted to €12,532 thousand for the three months ended March 31, 2013, a decrease of 29.4% compared to €17,762 thousand for the three months ended March 31, 2012. The decrease was a direct result of an operational optimization program implemented by Altice following its acquisition of Cabovisao in February 2012, which included savings through renegotiations of television content rights, information technology maintenance and support contracts and other operational changes, including headcount reductions.

Sales and marketing expenses. Sales and marketing expenses amounted to €2,044 thousand for the three months ended March 31, 2013, a decrease of 41.7% compared to €3,509 thousand for the three months ended March 31, 2012. This decrease was mainly due to cancelation and renegotiation of certain marketing and advertisement contracts and headcount reduction in Cabovisao's sales personnel as a result of the implementation of an operational optimization program by Altice following its acquisition of Cabovisao in February 2012. This was partially offset by increased marketing expenses for the three months ended March 31, 2013 as a result of the launch of Cabovisao's "One Box" set-top box at the end of 2012.

General and administrative expenses. General and administrative expenses amounted to €2,912 thousand for the three months ended March 31, 2013, a decrease of 37.2% compared to €4,637 thousand for the three months ended March 31, 2012. This decrease was mainly due to head count reductions in Cabovisao's corporate and administrative staff, savings through cancelation and renegotiation of certain contracts for administrative services and reduction of professional fees as a result of the implementation of an operational optimization program by Altice following its acquisition of Cabovisao in February 2012.

Other expenses (income). Net other expenses were €12 thousand for the three months ended March 31, 2013, compared to €296 thousand for the three months ended March 31, 2012.

Operating income. As a result of the factors described above, operating income was €2,690 thousand for the three months ended March 31, 2013, compared to €117,127 thousand for the three months ended March 31, 2012. Without giving effect to the net impact of the reversal of the impairment charge on fixed assets, Cabovisao's operating income increased by €7,651 thousand from an operating loss of €4,961 thousand for the three months ended March 31, 2012 to an operating income of €2,690 thousand for the three months ended March 31, 2013.

Finance expenses (net). Net finance expenses for the three months ended March 31, 2013 were €706 thousand, compared to a gain of €13 thousand for the three months ended March 31, 2012. This difference was primarily due to an increase in financing expenses during the three months ended March 31, 2013 linked to the aggregate €25,000 thousand principal amount of bonds issued by Cabovisao in May and September 2012 and for which interest was paid during the three months ended March 31, 2013. Cabovisao did not have any debt outstanding during the three months ended March 31, 2012.

Taxes on income. Cabovisao did not book any accrual for income for the three months ended March 31, 2013. For the three months ended March 31, 2012, Cabovisao's taxes on income was €97 thousand.

Net income. As a result of the factors described above, net income was €1,984 thousand for the three months ended March 31, 2013, compared to €117,044 thousand for the three months ended March 31, 2012. Without giving effect to the net impact of the reversal of the impairment charge on fixed assets, Cabovisao's net income increased by €7,028 thousand from a net loss of €5,044 thousand for the three months ended March 31, 2012 to a net income of €1,984 thousand for the three months ended March 31, 2013.

Twelve Months Ended December 31, 2012 compared to the Twelve Months Ended December 31, 2011

	Twelve months ended December 31,		Change	
	2011[1]	2012[2]	Amount	%
	(€ in thousands except percentages)			
Revenues	123,384	117,927	(5,457)	(4.4)
Expenses				
Depreciation and amortization	157,583	44,275	(113,308)	(71.9)
Operating expenses	74,958	62,868	(12,090)	(16.1)
Sales and marketing expenses	12,772	11,287	(1,485)	(11.6)
General and administrative expenses	18,405	19,595	1,190	6.5
Other expenses (income), net	154	2,444	2,290	1,487.0
Operating income	(140,488)	(22,542)	117,946	84.0
Finance income	110	82	(28)	(25.5)
Finance expenses	3,738	2,228	(1,510)	(40.4)
Income before taxes on income	(144,115)	(24,688)	119,427	82.9
Taxes on income (benefit)	100	268	168	168
Net income	(144,215)	(24,956)	119,259	82.7

(1) Reflects the 2011 Cabovisao IFRS Data.

(2) Reflects the 2012 Cabovisao IFRS Data.

Revenues. For the twelve months ended December 31, 2012, Cabovisao's revenues amounted to €117,927 thousand representing a decrease of 4.4% compared to €123,384 thousand for the twelve months ended December 31, 2011. This trend was mainly driven by a decrease in television and broadband Internet revenues of €5,008 thousand and €2,610 thousand respectively, which was partially offset by an increase in fixed-line telephony revenues by €1,156 and others revenues by €1,000 thousand. The decrease in television and broadband Internet revenues was primarily driven by aggressive competition in the Portuguese cable services market during 2012 and Cabovisao's strategic decision during the course of 2012 to cease offering certain aggressively priced packages. These factors resulted in losses of Cable Customer Relationships and RGUs by Cabovisao. In 2012, Cabovisao experienced a net decrease of approximately 11,000 television RGUs and approximately 2,000 broadband Internet RGUs. For further details, see "—*Key Operating Measures*". The increase in fixed-line telephony revenues for the twelve months ended December 31, 2012 is linked to increased take-up of certain of Cabovisao's aggressively priced bundled offerings in 2011 and 2012 (which Cabovisao cased offering during the course of 2012) that resulted in increase the average number of fixed-line telephony RGUs. Although there was a net reduction of fixed-line telephony RGUs in the twelve months ended December 31, 2012, the average fixed-line telephony RGU's for the twelve months ended December 31, 2011 was 249,709 compared to 251,918 for the twelve months ended December 31, 2012. Other revenues increased primarily due to the introduction in November 2012 of an administrative fee for customers requiring paper billing.

Depreciation and amortization. Depreciation and amortization amounted to €44,275 thousand for the twelve months ended December 31, 2012, a decrease of 71.9% compared to €157,583 thousand for the twelve months ended December 31, 2011. In May 2011, Cabovisao recorded an impairment loss relating to its principal tangible fixed assets (its cable network), amounting to approximately €141,664 thousand and at the same time it stopped recording depreciation on the amount of such impaired assets. During Cabovisao's financial year ended August 31, 2012, following a change in the ownership of Cabovisao, the impairment charge was reviewed and it was concluded that there was not sufficient rational for the impairment charge. Accordingly, the impairment charge was reversed in its entirety and such amount, reduced by depreciation associated with the impaired assets for the last three months of the financial year ended August 31, 2011, was directly recorded in retained earnings of Cabovisao for the financial year ended August 31, 2012 (and accordingly did not have any impact on Cabovisao's income statement for the twelve month period ended December 31, 2012). Depreciation for the twelve months ended December 31, 2012 however includes €11,621 thousand of depreciation expenses related to the catch-up of depreciation on the relevant assets for the period from September 1, 2011 to December 31, 2011 (corresponding to the first four months of financial year ended August 31, 2012). Depreciation for the twelve months ended December 31, 2011 includes approximately €141,664 thousand relating to the impairment charge.

Operating expenses. Operating expenses amounted to €62,868 thousand for the twelve months ended December 31, 2012, a decrease of 16.1% compared to €74,958 thousand for the twelve months ended December 31, 2011. The decrease was a direct result of an operational optimization program implemented by Altice following its acquisition of Cabovisao in February 2012, which included savings through renegotiations of television content rights, information technology maintenance and support contracts and other operational changes, including head count reductions.

Sales and marketing expenses. Sales and marketing expenses were €11,287 thousand for the twelve months ended December 31, 2012, a decrease of 11.6% compared to €12,772 thousand for the twelve months ended December 31, 2011. This decrease was mainly due to cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in Cabovisao's sales personnel following the implementation of an operational optimization program by Altice following its acquisition of Cabovisao in February 2012.

General and administrative expenses. General and administrative expenses were €19,595 thousand for the twelve months ended December 31, 2012, an increase of 6.5% compared to €18,405 thousand for the twelve months ended December 31, 2011. This increase was mainly due to extraordinary severance costs relating to headcount reduction pursuant to the implementation of an operational optimization program by Altice following its acquisition of Cabovisao in February 2012, which was only partially offset by savings from head count reductions in Cabovisao's corporate and administrative staff, savings through cancelation and renegotiation of certain contracts for administrative services and reduction of fees.

Other expenses (net). Other expenses (net) amounted to €2,444 thousand for the twelve months ended December 31, 2012, and €154 thousand for the twelve months ended December 31, 2011. Other expenses of €2,444 thousand for the twelve months ended December 31, 2012 mainly included losses on fixed assets sold or written-off and taxes to the Portuguese telecom regulator. The increase in other expenses was primarily impacted by the reversal of an accrual of €891 thousand for municipality taxes (assessed in 2010) in the twelve months ended December 31, 2011 pursuant to a judicial decision in favor of Cabovisao.

Operating income. As a result of the factors described above, operating loss was €22,542 thousand for the twelve months ended December 31, 2012, a decrease in operating loss by 84% compared to an operating loss of €140,488 thousand for the twelve months ended December 31, 2011. Cabovisao's operating income before depreciation and amortization was €21,733 thousand for the twelve months ended December 31, 2012 compared to €17,095 thousand for the twelve months ended December 31, 2011.

Finance expenses (net). Net finance expenses for the twelve months ended December 31, 2012 was €2,147 thousand, a decrease of 40.4% compared to €3,738 thousand for the twelve months ended December 31, 2011. This decrease was primarily due to the lower interest expense in the twelve months ended December 31, 2012. Cabovisao had outstanding debt of €183,900 thousand that was converted into supplementary capital contributions on August 30, 2011 and incurred fees and interests of approximately €3,600 thousand for the twelve months ended December 31, 2011. In May and September 2012, Cabovisao issued bonds in an aggregate principal amount of €25,000 thousand that incurred fees and interests for €2,220 thousand for the twelve months ended December 31, 2012.

Taxes on income. Taxes on income amounted to €268 thousand for the twelve months ended December 31, 2012, compared to €100 thousand for the twelve months ended December 31, 2011. Taxes on income for the twelve months ended December 31, 2012 include taxes for two fiscal years as a result of the change in Cabovisao's fiscal year end from August 31 to December 31 with effect from September 1, 2012 (€213 thousand and €54 thousand respectively for fiscal years ended August 31, 2012 and December 31, 2012). Taxes on income for the fiscal year ended August 31, 2011 were €125 thousand. The increase was due to higher tax rates in 2012.

Net income. As a result of the factors described above, net loss was €24,956 thousand for the twelve months ended December 31, 2012, a decrease in net loss by 82.7% compared to a net loss of €144,215 thousand for the twelve months ended December 31, 2011. Cabovisao's net income before depreciation and amortization was €19,319 thousand for the twelve months ended December 31, 2012 compared to €13,368 thousand for the twelve months ended December 31, 2011.

Cabovisao's Cash Flow Statement

The table below summarizes Cabovisao's consolidated cash flow for the different periods.

	For the twelve months ended December 31,		For the three months ended March 31,	
	2011[1]	2012[2]	2012[3]	2013[4]
	€ in thousands			

Cash and cash equivalents at beginning of period	13,700	8,060	8,060	10,284
Net cash generated by current operations	13,738	39,798	16,064	3,833
Net cash provided by (used in) investment operations	(19,379)	(27,474)	(13,478)	(4,854)
Net cash provided by (used in) financing operations	—	(10,100)	—	(1,500)
Cash and cash equivalents at end of period	**8,060**	**10,284**	**10,647**	**7,765**

(1) Reflects the 2011 Cabovisao IFRS Data.

(2) Reflects the 2012 Cabovisao IFRS Data.

(3) Reflects the 2012 Q1 Cabovisao IFRS Data.

(4) Reflects the 2013 Q1 Cabovisao IFRS Data.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

Net cash generated by current operations. Net cash generated by current operations amounted to €3,833 thousand for the three months ended March 31, 2013, compared to €16,064 thousand for the three months ended March 31, 2012. The decrease in net cash generated by current operations is primarily attributable to changes in Cabovisao's working capital position. Following the change of ownership of Cabovisao in February 2012, Altice undertook a comprehensive review of trade payables and supplier contracts which resulted in postponement of trade payables that in turn generated a positive impact of €12,648 thousand from a change in the working capital position for the three months ended March 31, 2012. For the three months ended March 31, 2013, the net cash generated by current operations was driven by a negative impact of €6,854 thousand from a change in the working capital position due to one-off payment agreements mainly with suppliers of television content with respect to previous year payables. Cabovisao expects to revert to a normalized working capital cycle during the second half of 2013. The effects of this change in working capital position was partially offset by an increase in Cabovisao's operating income before depreciation and amortization by approximately €7,895 thousand for the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

Net cash used in investment operations. Net cash used in investment operations amounted to €4,854 thousand for the three months ended March 31, 2013, compared to €13,478 thousand for the three months ended March 31, 2012. Excluding investment in restricted cash of €43 thousand (bank guarantees), the net cash used in investment operations was €4,810 thousand for the three months ended March 31, 2013. Excluding investment in restricted cash of €9,341 thousand (bank guarantees), the net cash used in investment operations was €4,137 thousand for the three months ended March 31, 2012. For further details, see "—*Capital Expenditures*".

Net cash used in financing operations. Net cash used in financing operations amounted to €1,500 thousand for the three months ended March 31, 2013 and was linked to the monthly amortization payments on the aggregate €25,000 thousand principal amount of bonds issued by Cabovisao in May and September 2012. Cabovisao did not have any outstanding debt during the three months ended March 31, 2012.

Twelve Months Ended December 31, 2012 compared to twelve Months Ended December 31, 2011

Net cash generated by current operations. Net cash generated by current operations amounted to €39,798 thousand for the twelve months ended December 31, 2012, compared to €13,738 thousand for the twelve months ended December 31, 2011. This increase was mainly due to an increase in Cabovisao's operating income before depreciation and amortization by approximately €4,638 thousand and to an improvement in its working capital position following the acquisition of Cabovisao by Altice in February 2012. Changes in the working capital position has a net positive impact of €17,637 thousand on net cash generated from current operations during the twelve months ended December 31, 2012 compared to a net positive impact of €561 thousand for the twelve months ended December 31, 2011.

Net cash used in investment operations. Net cash used in investment operations amounted to €27,474 thousand for the twelve months ended December 31, 2012, compared to €19,379 thousand for the twelve months ended December 31, 2011. Excluding investment in restricted cash of €9,341 thousand (bank guarantees), the net cash used in investment operations was €18,133 thousand for the twelve months ended December 31, 2012. There was no investment in restricted cash in 2011. For further details, see "—*Capital Expenditures*".

Net cash used in financing operations. Net cash used in financing operations amounted to €10,100 thousand for the twelve months ended December 31, 2012 reflecting the issuance of bonds by Cabovisao in a principal amount of €25,000 thousand and the repayment of supplementary capital contributions to Cabovisao's shareholder in an amount of €35,100. On August 30, 2011, Cabovisao converted outstanding debt of €183,900 thousand into supplementary capital contributions, which did not have any net impact on the net cash used in financing operations during the twelve months ended December 31, 2011.

Capital Expenditures

Cabovisao's primary capital expenditures relate to extending, upgrading and maintaining its cable network and investments in Docsis network capacity and costs of connecting customer premises and investment in hardware, such as set-top boxes, routers and other equipment.

The table below summarizes our capital expenditures for the different periods.

	For the twelve months ended December 31,		**For the three months ended March 31,**	
	2011	**2012**	**2012**	**2013**
Modems and Converters Related[1]	12,403	8,671	2,855	3,061
Cable Network Related (Including Centers)[2]	5,364	7,088	1,023	730
Other	1,612	2,374	259	1,019
Total Capital Expenditures	19,379	18,133	4,137	4,810

[1] Connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth.

[2] Investment in improving or expanding the cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity.

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

For the three months ended March 31, 2013, Cabovisao's total capital expenditures were €4,810 thousand compared to €4,137 thousand for the three months ended March 31, 2012. The increase was primarily due to the launch of Cabovisao's "One Box" set-top box at the end of 2012 that combines, in a single device, the end-user equipment required for television, Internet and telephony services, which generated hardware costs and needs for stock constitution.

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

For the twelve months ended December 31, 2012, Cabovisao's total capital expenditures were €18,133 thousand compared to €19,379 thousand for the twelve months ended December 31, 2011. The decrease was primarily due to a decrease of €3,732 thousand in modem and converter related expenses due to lower costs towards CPEs as a result of the high level of investments made during the twelve months ended December 31, 2011 to deploy set-top boxes with PVR functionality as well as the impact of the renegotiation of contracts with suppliers relating to installation services. This decrease in capital expenditures was partially offset by an increase in cable network related expenditures by €1,724 thousand primarily as a result of the application of the Group's accounting standards for capitalization of work on the network and an increase in other capital expenditures by €762 thousand, which was linked to one-off projects such as the launch of the One-Box and certain investment in software systems including Cabovisao's new business intelligence platform and billing and provisioning software.

Critical Accounting Policies, Judgments and Estimates

See note 3 to Cabovisão—Televisão por Cabo, S.A. financial statements as of and for the four months ended December 31, 2012 included elsewhere in this Offering Memorandum.

LIQUIDITY AND CAPITAL RESOURCES OF THE GROUP

Unless otherwise stated or the context otherwise requires, in this section the terms "Group", "we", "us" and "our" refer to Altice VII and its subsidiaries (after giving effect to the Transactions). See "Summary Corporate and Financing Structure" and the "The Transactions".

As of March 31, 2013, the cash and cash equivalents of the Combined Entities and the Existing Senior Secured Notes Issuer and the Senior Notes Issuer amounted to €108 million on an actual basis and €27 million on an as-adjusted basis giving effect to the Transactions. See "—Capitalization". Each of our businesses maintains cash and cash equivalents to fund their day-to-day requirements. Our principal source of liquidity following the Transactions is expected to be the operating cash flows of the operating subsidiaries in the Group and, if required, borrowings under the Revolving Credit Facilities. See "*Description of Other Indebtedness*". In addition, HOT and certain of its subsidiaries have entered into a NIS 305 million (€65.4 million based on the exchange rate as of March 31, 2013) working capital and guarantee facility with certain Israeli financial institutions which is intended to provide additional liquidity for HOT's day to day operations.

Our liquidity and the liquidity of our operating subsidiaries generally is used to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time, including (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to parent companies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Our most significant financial obligations are our debt obligations as of March 31, 2013 set forth below (excluding the Revolving Credit Facilities, the New Guarantee Facility, finance leases and other long term and short term liabilities). The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments. See "*Description of Other Indebtedness*".

	Period ending December 31,					
	2013	2014	2015	2016	2017 or later	Total
	€ in millions					
Existing HOT Unsecured Notes, including capitalized debt issuance costs[1]	13.5	27.2	27.2	27.2	204.8	300.1
Existing Coditel Mezzanine Facility[2]	—	—	—	—	105.5	105.5
Existing Senior Secured Notes[3]	—	—	—	—	568.8	568.8
New Term Loan[4]	—	—	—	—	795.0	795.0
Existing Senior Notes[3]	—	—	—	—	331.5	331.5
New Senior Notes	—	—	—	—	250.0	250.0
Total	13.5	27.2	27.2	27.2	2,255.6	2,350.6

[1] The amount is based on the exchange rate as of March 31, 2013 of €0.2145 = NIS1.00.

[2] The Existing Coditel Mezzanine Facility Agreement contains call protection provisions that require a make-whole premium to be paid in case of prepayment prior to November 2014. After November 2014, the Existing Coditel Mezzanine Facility can be prepaid at 106.875% (until November 2015), 103.475% (from November 2015 until November 2016) and at par thereafter.

[3] The amount is based on the exchange rate as of March 31, 2013 of €1.2819 = $1.00.

[4] Assumes the maximum amount of €795 million available under the New Term Loan is drawn. The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be no less than € 500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Revolving Credit Facilities will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next twelve months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. See "*Risk Factors—Risks Relating to Our Financial Profile*".

Our ability to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase our EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our various debt instruments. See "*Description of Notes*" and "*Description of Other Indebtedness*". Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the Revolving Credit Facilities, the New Guarantee Facility and the Existing Coditel Mezzanine Facility, in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

The Senior Notes Issuer is a special purpose financing vehicle and its primary assets are cash and cash equivalents, share capital in the Existing Senior Secured Notes Issuer and its rights under the Senior Notes Proceeds Loans. The Senior Notes Issuer will be dependent on the Senior Notes Proceeds Loans and distributions from the Existing Senior Secured Notes Issuer to service its debt obligations. The Existing Senior Secured Notes Issuer is a special purpose financing vehicle and its primary assets are cash and cash equivalents and its rights under the Pledged Proceeds Notes. The Existing Senior Secured Notes Issuer will be dependent on the Pledged Proceeds Notes, borrowings under the Revolving Credit Facilities, cash in its bank accounts and other payments from Cool Holding and Altice Holdings and their respective subsidiaries to service its debt obligations.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar, euro and New Israeli Shekels, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Please see note 11 to the financial statements of the Senior Notes Issuer for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the Existing HOT Unsecured Notes, pursuant to amortization obligations. On a consolidated basis as adjusted to give effect to the Transactions, our primary fixed rate debt obligations (excluding finance leases and other liabilities) comprise of the Existing Notes, the New Senior Notes and a portion of the HOT Unsecured Notes while our primary floating rate debt obligations (excluding finance leases and other liabilities) comprise of the New Term Loan, the Existing Coditel Mezzanine Facility and the Revolving Credit Facilities. In addition, a portion of our debt, comprising Series A of the Existing HOT Unsecured Notes, is linked to the Consumer Price Index in Israel and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. For details see "*Description of Other Indebtedness—Existing HOT Unsecured Notes*". In addition, under the terms of our existing interest rate hedging arrangements, our effective interest rates may be higher than actual interest rates, resulting in increased costs.

Foreign Currency Risk

Cool Holding's and HOT's financial results are reported in New Israeli Shekels denominations. The Senior Notes Issuer's, Cabovisao's, Coditel Holding's, Coditel Belgium's, Coditel Luxembourg's, Group Outremer Telecom's, Le Cable Martinique's and Le Cable Guadeloupe's financial results are reported in euros. Green's financial results are reported in Swiss Francs. In addition, we conduct, and will continue to conduct transaction in currencies other than NIS, euro and Swiss Francs, as applicable, particularly the U.S. dollar. In particular, a significant portion of our existing debt is denominated in U.S. dollar.

As of March 31, 2013, we had the following derivative instruments outstanding to secure foreign currency liabilities and to reduce foreign currency exposure primarily relating to our Existing Notes

- Foreign exchange forward contract relating to a swap of a notional amount of $550 million into New Israeli Shekels (maturing on December 15, 2017);

- Foreign exchange forward contract relating to interest rate hedging on a notional amount of $98.9 million and €40.1 million (maturing on each interest payment date under the Existing Notes until December 15, 2017), which exchanges fixed euro and U.S. dollar payments into fixed New Israeli Shekels payments;

- Cross currency swaps on notional principal amounts of $200 million, $225 million and €100 million, each swapping into New Israeli Shekels at certain specified rates (maturing on December 15, 2017).

Please see note 11 to the financial statements of the Senior Notes Issuer for the year ended December 31, 2012 included elsewhere in this Offering Memorandum.

Upon completion of the Transactions, to manage our exchange rate exposure with respect to the New Senior Notes, the New Term Loan and the New Revolving Credit Facility, we expect generally to enter into hedging foreign exchange transactions to effectively exchange a portion of the payment obligations for interest, principal, amortization and premium, if any, of such indebtedness from U.S. dollars (to the extent such debt is borrowed in U.S. dollars) to euro and from euro into New Israeli Shekels. We believe such foreign exchange hedging transactions will enable us and them to match the currency of the interest expense to the currency of our revenues more accurately.

REGULATORY

Our businesses are subject to various regulatory requirements and obligations including communications and broadcasting laws, general antitrust law, environment, health and safety laws, planning and construction laws, consumer protection laws as well as technical and other regulations in each of the jurisdiction in which we operate. The ever changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in Israel, Portugal, Belgium, Luxembourg and the French Overseas Territories are set forth below. This description is not intended to be an exhaustive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

Israel

This communications and broadcasting industry in Israel is highly regulated and requires service providers to obtain licenses from, and comply with the terms of such licenses and the policy statements of, the Israeli Ministry of Communications or the Broadcasting Council with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever changing regulatory environment can have a material effect on our activities. In this section only, references to 'we', 'us', 'our', 'HOT' and the 'Company' may refer to HOT-Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT-Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the "Knesset"), primarily the Communications Law (Telecommunication and Broadcasting), 5742 - 1982 (the "Communications Law"), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) to issue regulations which provide for specific requirements based upon the principles set forth in the laws. The Israeli Ministry of Communications grants licenses in accordance with the Communications Laws and regulations. In addition to the regulations, the Israeli Ministry of Communications issues policy statements after a public review and consultation process. These policy statements expand upon the Israeli Ministry of Communication's policy with respect to certain basic issues in the relevant market.

Television

Overview

Our television operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. We are also subject to specific legislation applying to the television broadcasting industry in Israel, such as the Harmful Broadcasts Classification, Marking and Prohibition of Damaging Broadcasts Law, 5761-2001 (which imposes certain classification and marking obligations with respect to television broadcasts) and the Television Broadcasts Law (Sub-Titles and Sign Language), 5765-2005 (which imposes certain obligations regarding the accompaniment of television broadcasts with sub-titles and translation into sign language).

We provide our television services pursuant to a non-exclusive general cable broadcasting license applying to all areas of Israel and a non-exclusive general cable broadcasting license applying to Judea and Samaria (the "Broadcasting Licenses"). The Broadcasting Licenses contain certain conditions and restrictions relating to the provision of cable television services to our customers, including amongst others, a requirement to extend our services to customers in all areas of Israel which, in some cases, creates an obligation on us to provide services even though it would not be worthwhile economically to do so. There are certain places in Israel in which we do not currently provide services. The Broadcasting Licenses also stipulate the maximum fees that may be charged for our analog package. Our Broadcasting Licenses are valid until 2017 and may be extended for periods of ten years at a time by the Broadcasting Council. We also have a special license (held by HOT Telecom) for operating a broadcasting hub which is valid until April 2017. As a general rule, the Broadcasting Licenses are non-transferable. In addition, the transfer of any of means of control in the relevant license holders is subject to prior approval of the Israeli Ministry of Communications and the Broadcasting Council.

Our operations in the pay television segment are subject to the supervision of the Israeli Ministry of Communications and the Broadcasting Council, including, among others things, in connection with the prices of analog services, broadcasting content, and launching of new channels or ceasing to broadcast existing channels. In addition, we have been declared a monopoly in the area of multi-channel television broadcasts for subscribers, and accordingly, the Anti Trust Commissioner (the "Commissioner") is permitted to issue instructions to us pursuant to the Restrictive Business Practices Law, 5748-1988. Accordingly, our ability to make acquisitions in the broadcasting sector will be limited. The Commissioner has set various conditions which apply to us as part of its decision to approve the Cable Consolidation. These conditions include, among others, separation of broadcasting and cable infrastructure activities, limitations on possessing means of control and relationships with producers of the channels, limitations on the purchase of programs and ownership of broadcast programs; limitation on agreements with producers of channels, a requirement to provide telephony services; investing in infrastructure; and provision of a bank guarantee. We are also subject to general anti-trust law which prohibits certain restrictive agreements and the abuse of dominant position in a market. Certain key features of the regulations and Broadcasting Licenses governing our television operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Obligation to Extend Services

Under the terms of the Broadcasting Licenses, we are required to extend our cable television services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services.

Access to DTT Channels

The Second Authority for Television and Radio (the "Second Authority"), a statutory body set up under the Second Television and Radio Authority Law (the "Second Authority Law"), is responsible for facilitating the development of, and regulating, commercially operated television and radio broadcasts in Israel. Pursuant to an amendment to the Second Authority Law, the Second Authority was charged with planning, establishing and operating, itself or via others, digital broadcasting stations for the free reception and distribution of television broadcasts ("DTT") to the general public. Accordingly, in August 2009, the Second Authority launched broadcasts on a nationwide basis, enabling the free distribution to the public of the following DTT channels: the Israeli Broadcasting Authority channels (Channel 1 and Channel 33), the commercial television channels (Channel 2 and Channel 10) and the Knesset Channel (Channel 99). The establishment of the digital broadcasting stations infrastructure enables subscribers to view the broadcasts of DTT channels free of charge upon purchasing a set top box. We are also required to carry the DTT channels over our network.

In April 2012, the Distribution of Broadcasts through Digital Infrastructure Law, 5772 - 2012 was passed into law (the "DTT Law"). Pursuant to the DTT Law, the DTT array may be expanded to include a maximum of 18 additional channels. Currently, the DTT has already been expanded to include all radio channels broadcasted in Israel and an educational television channel. Additional DTT channels due to be included in the DTT array may include, among others, the Israeli Russian language Channel (Channel 9), the Israeli Music Channel (Channel 24), the Israeli Arabic language Channel, three additional channels dedicated to specific themes and HD versions of any of the channels included in the DTT array.

The draft economic plan for 2013-2014 which was published by the Ministry of Finance on April 2013, was approved by the Government in May 2013 and is now subject to Knesset approval (the "Draft Economic Plant") proposed to amend the DTT Law, inter alia, pursuant to which:

A. The Minister of Communications (the "Minister") and the Minister of Finance will be authorized to appoint a body that will act as an operator under the law, and the Minister will be authorized to set limitations on holding and ownership of the said operator, with respect to its activities, and regarding tying between services.

B. To cancel the existing legal restriction under which the "operator," as defined in the DTT Law, may not authorize a franchisee under the Second Authority Law to design, construct and operate the DTT Array, and instead authorize the Minister to determine limitations regarding the design, construction and operation of the DTT Array.

C. The operation of each of the two multiplexers, as defined in the decision dated November 6, 2011, regarding the expansion of digital broadcasting to propagate broadcasts on the DTT Array, shall require the approval of the Council for Cable and Satellite Broadcasting (the "Council"), in accordance with criteria determined for this purpose by the Minister, in consultation with the operator.

D. In general, a body whose broadcasts are distributed through the DTT Array will pay the aggregate payments and costs as set forth in the law and, the State will not bear the costs for the unused capacity in the DTT Array.

E. To amend Article 13 of the DTT Law to provide that:

   1 The Council will seek to expand the number of channels distributed through the DTT Array, subject to system capacity, including for the broadcasting of other entities (as defined in the law), through granting a license for theme channel broadcasting which will be distributed through the DTT Array. Such license shall be granted the operated selected in a tender solely based on the price offered for

DTT Array, subject to the limitations on participation in the tender prescribed in section 13 (d) of the DTT Law.

2 The winning bidder shall, after its selection, decide to which of the following at least 75% of its broadcasts will be devoted: sports; kids; movies; nature; series; documentary; news or any other topic that the Minister, in consultation with the Second Authority for Television and Radio and the Council, with the approval of the government, determined to be a defined and specific issue for which there is justification to broadcast through a theme channel on the DTT Array. Notwithstanding the aforementioned, the bidder will be required to notify in advance its intention to devote at least 75% of its broadcasts to news.

3 A theme channel transmitter may finance its broadcasting through commercials or by charging subscribers fee for receiving the broadcasts of the same channel.

4 A holder of cable or satellite broadcasting license, in accordance as defined in the Communications Law (Telecommunications and Broadcasting)—1982 (the “Communications Law”), may not participate in the theme channel tender.

The implementation of the economic plan is subject to all the required approvals and procedures, including any applicable legislation amendments.

Narrow Package Proposal

In September 2012, the Broadcasting Council made a decision to compel both multi-channel television broadcasters to offer, in parallel with a basic package of channels a more limited basic package of channels (the “Narrow Package”) on a pilot basis, with the goal of reducing the cost of the most basic pay television services. We launched our Narrow Package on December 2, 2012, which included all the channels distributed through the DTT array and four other channels, which included sport, children and youth, series and movies and global news in accordance with the Council’s decision.

The Draft Economic Plan proposes to amend the Communications Law, in the following manner to regulate the introduction of a narrow broadcasts package:

A. The Minister shall be authorized to determine, for a limited period not exceeding three years (subject to extension offer consultation with the Council), provisions regarding the obligation of a cable and satellite broadcasting license holders (“a Broadcasting Licensee”) to generally offer a narrow package containing a limited number of channels (the “Basic Narrow Package”), in accordance with the guidelines determined by the Minister regarding the mix of channels therein, and under a price determined by him. The Narrow Package will be offered in addition to the basic broadcasts package that Broadcasting Licensees must offer to all subscribers by law.

B. The Council will be empowered to set the channels to be included in the Basic Narrow Package in accordance with the guidelines, and to set instructions regarding the publication of a Basic Narrow package.

C. A Broadcasting Licensee shall not charge a subscriber of the Narrow Package payments beyond the price thereof, for ancillary services such as installation fees, installation costs, etc. (the “Related Services”), if it does not charge payment for those Related Services from subscribers of other packages. If a Broadcasting Licensee charges fees for such Related Services, the payment therefore charged from Basic Narrow Package subscribers shall not exceed the payment therefore charged from subscribers to other packages.

Ownership of Television Channels

We are subject to regulatory limitations in connection with the ownership and production of television channels, including the rules set forth in the Communications Rules (Telecommunication and Broadcasting) (Broadcasting Licensees), 5748-1987 (“Communications Rules”). Pursuant to the provisions of the Communications Rules we are subject to restrictions regarding the number of channels that we can produce ourselves or in collaboration with another broadcasting license holder, such that the number of such television channels does not exceed two-fifths of the number of independent channels that we broadcast on our network. However, we are subject to more restrictive ownership rules pursuant to the decision of the Broadcasting Council approving the Cable Consolidation in 2006 that resulted in the formation of our Group. Accordingly, the number of channels that we can produce, including channels produced by our predecessor companies at the date of approval, must not exceed 20% of the independent channels that we broadcast. In addition to those channels, we are also permitted to hold controlling interests in additional channels so long as the number of such channels does not exceed 4% of the total independent channels that we broadcast and we are not the controlling shareholder of such independent channels.

As a result of our monopoly status in multi-channel television broadcasting, we are also subject to the decision of the Commissioner approving the Cable Consolidation in 2006, pursuant to which are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channel 3 and Channel 4) and four additional channels, unless we obtain prior approval of the Commissioner.

Minimum Investment in Local Content Productions

In accordance with the Communications Law, the Communications Rules and decisions of the Broadcasting Council, we are required to invest at least 8% of our annual television revenues from subscriber fees in local productions to be broadcast for the first time over our network. During 2010, 2011 and 2012, we fulfilled the required rate of investment. In 2011, the Broadcasting Council notified our Group that with effect from 2012, the revenues from subscription fees forming the basis for calculating the minimum investment requirement must also include all payments made by customers for the purpose of receiving their broadcasts, including revenues from the rental of set-top boxes. We disputed this stipulation, which we communicated in writing to the Broadcasting Council. In response, the Broadcasting Council has permitted our Group to deploy the additional investment amount required in 2012 as a result of the new basis of calculation over the next three years in equal proportions.

Special Licenses for Cable Broadcasts

Under the Communications Law, the Broadcasting Council is permitted to grant special licenses for cable broadcasts with a view to increasing the number of competitors involved in the broadcasting industry. In such cases, the general broadcasting licensees will be required to transmit the special licensee’s broadcasts over their networks subject to the condition that the capacity available to the general broadcasting licensee will not fall below five-sixths of the total capacity available over its network. In August 2007, the Israeli Minister of Communications determined the minimum carriage fee to be paid by a special licensee for distribution of its channel by a general cable broadcasting licensee. We are also required to maintain a minimum level of capacity for transmitting special licensee broadcasts pursuant to the conditions established for approving the Cable Consolidation. In addition, in accordance with the Communications Law, the Broadcasting Council is permitted to grant special licenses to the broadcasters of designated channels. Unlike other special licensees, the designated channel licensees are not obliged to pay a carriage fee to the general broadcasting licensee although the parties are free to agree to such consideration contractually.

Prohibition of Termination Fees

In 2011, the Communications Law was amended to prohibit a license holder from collecting an exit or termination fee from residential and business subscribers whose monthly bill is under NIS 5,000 who terminate their agreement with the license holder before the end of minimum term of such agreement. While a license holder is permitted to collect the balance of the payment in respect of end-user equipment purchased by the subscriber and debts accumulated by the subscriber, if payment for end-user equipment is due in installments, the license holder is not permitted to demand immediate repayment of the entire balance. With regards to some residential and small-business subscribers with contracts which predate the effectiveness of the amendment, the termination fee is limited to a maximum of 8% of the subscriber’s monthly account, multiplied by the number of months remaining until the end of the commitment period. The maximum amount does not include the purchase price or rental amount for end-user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are only permitted to collect payments from new subscribers only in respect of services provided in the past month and cannot collect payment for service in advance. This decision has had an impact on our cash flows as we transition customers to a post services billing basis.

Prohibition on Advertising

The Communications Law prohibits broadcasting licensees from including commercials in their broadcasts other than promotional advertisements for upcoming broadcasts. Commercial channels, including certain “must carry” channels, and foreign channels may be permitted to include commercials on their channels.

Proposed Transition from Franchises to Licenses for Television Broadcasts

Currently, the commercial DTT channels such as Channel 2 and Channel 10 are operated on an exclusive franchisee basis granted by the Second Authority. However, an amendment to the Second Authority Law was passed in February 2011, which proposes to increase the number of broadcasters by transitioning from the exclusive franchisee system to a non-exclusive license system under which any entity which satisfies certain threshold conditions may apply for a commercial broadcasting license.

Fees and Royalty Payments

The Communications Law obligates general telecommunications licensees to pay royalties to the State of Israel. The regulations enacted under the Communications Law provide for an ongoing decrease in the rate of royalties applicable to such licensees, which have been reduced to 0% commencing on January 2, 2013.

In addition, in accordance with an agreement dated July 2001 between HOT and the State of Israel regarding the consideration payable to the State of Israel for the cable infrastructure, HOT has undertaken to pay the State of Israel payments at a rate of up to 4% of its revenue until the end of 2015. In each of the years ended December 31, 2010 and 2011, we paid the State of Israel over NIS 50 million under this agreement. See "*Description of HOT's Business—Material Agreements—Agreement with the State of Israel relating to ownership of our cable network*".

Broadband Internet Infrastructure Access and Fixed-Line Telephony

Overview

Our broadband Internet infrastructure access and fixed-line telephony operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. Our operations are subject to the supervision of the Israeli Ministry of Communications.

We provide our broadband Internet infrastructure access, fixed-line telephony services and certain other communication services pursuant to a general domestic operator license for the provision of fixed-line services in Israel and a general license for provision of telecom services in several towns in Judea and Samaria (the "Fixed-Line Licenses"). Among other things, the Fixed-Line Licenses prohibit disconnection of any subscriber from the services other than in certain specified cases listed in the license. Our Fixed-Line Licenses are valid until 2023 and may be extended for periods of ten years at a time upon approval by the Israeli Ministry of Communications. As a general rule, these Licenses are non-transferable. In addition, the transfer of means of control of in the relevant license holders is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our broadband Internet infrastructure access and fixed-line telephony operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Decision Regarding the Creation of a Wholesale Market

In February 2010, the Israeli Ministry of Communications and Ministry of Finance appointed a commission headed by the former General Manager of the Israeli Ministry of Industry, Trade and Labor, Amir Hayek (the "Hayek Committee"), to review and make recommendations with respect to Bezeq's retail telephony rates and the setting of rates for different segments with regard to provision of services in the broadband Internet infrastructure access wholesale market. The Hayek Committee published its recommendation in October 2011. In May 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field, which primarily adopts the recommendations made by the Hayek Committee.

In broadband Internet infrastructure access in particular, on May 2, 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field adopting the main recommendations made by the Hayek Committee in October 2011 with respect to the creation of a wholesale market for fixed line communications. The Ministry of Communications adopted the following principles affecting the broadband Internet infrastructure access market:

- In order to increase competition between providers of fixed-line communications services, owners of nationwide fixed-line access networks who also provide retail communications services ("infrastructure owners"), shall be obliged to sell wholesale services to communications license holders, who will provide services based on these infrastructures ("service providers"), including bitstream access, leasing of access elements (unbundling), leasing of dark fibers, duct access and transmission services (the "wholesale services"), on the basis of non-discriminatory terms.

- A service provider may issue a request to the infrastructure owners to make use of their network elements, including wholesale services. Service providers and infrastructures owners will conduct commercial negotiations to reach a usage agreement or provision of the aforementioned services, and immediately upon the signing of such an agreement, each infrastructure owner shall publish a reference offer. The reference offer will include the services that are included in the agreement between the infrastructure owner and the service provider, according to the tariffs and the terms set in the agreement, as well as other wholesale services, in accordance with a list that will be published by the Israeli Ministry of Communications from time to time, including an offered price for each service. An infrastructure owner shall not be allowed to offer volume discounts to a service provider. This offer will be offered to anyone who requests, on equitable and non-discriminatory terms, it will be available for perusal by any seeker, and will be presented on the website of the infrastructure owner, as well as on the website of the Israeli Ministry of Communications. For the purposes of this paragraph, "an agreement"—an agreement between an infrastructure owner and a significant service provider, which is not a related company to an infrastructure owner.

- Should the Minister of Communications see that a tariff or a term was demanded by an infrastructure owner, or a tariff or a term was agreed to, for a wholesale service, which is not reasonable, may harm competition, may harm the public interest, or may harm the interests of a service provider, the Minister of Communications shall set that tariff or term. In the absence of a demand or an agreement on one or more terms or on a tariff, as stated above, the Minister of Communications shall set them, provided that an agreement has been signed or 6 months have passed since the issuance of this document, whichever shall come first, according to his authority under the Communications Law.

- The ancillary activities, services and arrangements to the wholesale services (rental of space, maintenance, etc.), arrangements for ordering, payment terms, and provisioning, and their tariffs—shall also be set in commercial negotiations between service providers and infrastructure owners, and infrastructure owners shall be allowed to demand reasonable and equitable prices. In the absence of agreement between the relevant license holders, the Minister of Communications shall decide according to his authority under the Communications Law.

- The Israeli Ministry of Communications shall make use of a model for enforcement and supervision, which will help the Israeli Ministry of Communications ensure that the tariffs set in the reference offers are in accordance with the conditions set out above, and to monitor the actual provision of the wholesale services in a reasonable and non-discriminatory manner, and to track the level of implementation of the wholesale market.

- Infrastructure owners shall provide, on an ongoing basis, information about ordering of wholesale services and the deployment of existing infrastructures, to other license holders, in accordance with the requirements of the Israeli Ministry of Communications and will exceptions that will be set by the Ministry.

- When a reference offer is published by an infrastructure owner, related corporations to that owner shall be allowed to purchase wholesale services in order to provide services according to the terms of their licenses, on the condition that such wholesale services are offered without discrimination to any seeker.

- When Bezeq publishes a reference offer, Bezeq shall be allowed to supply telephony services which are not provided over broadband networks, to its subsidiaries, in a wholesale arrangement; should Bezeq decide to provide the aforementioned services it shall provide them concurrently to any license holder who seeks them without discrimination, all subject to the relevant regulations regarding Bezeq subsidiaries.

- Within 9 months of the publication of the reference offer, as described above, the Minister of Communications shall order the abolishment of the structure separation between an infrastructure owner who published the reference offer, and providers of international calls and ISP services which are related corporations to that infrastructure owner, so that Bezeq, for example, will be allowed to provide to its subscribers bundles which are not disintegrable of all its services (local and international telephony, broadband access and ISP service). All this, except if the Minister of Communications shall determine that in the situation of the wholesale market at that time, abolishment of structural separation might cause significant harm to competition or to the public interest. Should the aforementioned structural separation be abolished, it will be replaced with accounting separation, in a format that will be set by the Minister of Communications.

- The Israeli Ministry of Communications shall set indicators or conditions, under which the Minister of Communications may conclude that the level of development of the wholesale market and the level of development of competition based on bundles include fixed and mobile services in the household sector, allows the granting of easements of the structure separation between an infrastructure owner and a radio-telephone operator which is a related company, or the abolishment of the said structural separation and its replacement with accounting separation.

- Should the Minister of Communications decide that the development of the wholesale market and the level of development of competition based on bundles of fixed and mobile services in the household sector allow it, the Minister of Communications shall consider the abolishment of the structural separation between an infrastructure owner and a radio-telephone operator which is a related company.

- The Minister of Communications shall review the matter of the disintegrability of television broadcasting services, included in service bundles which also include telecommunications services (whether fixed or mobile) or broadband services. The abolishment of the structural separation between infrastructure owners and the multi-channel broadcasting sector, will be done while providing a reasonable opportunity to provide a basic television broadcasting package on the internet, by operators who do not have a fixed nationwide network.

- If the wholesale market will not develop in a sound and proper manner, according to indicators which will be set for this purpose, within 24 months of the publication of this policy document, the Minister of Communications shall act to enforce structural separation between the infrastructure of a fixed domestic license holder and the services provided by that license holder to end users.

- Within six months of the publication of the reference offer, as described above, the Minister of Communications will act to change the tariff control mechanism over the tariffs of the Bezeq company, such that the control shall be done by setting a maximum tariff.

- The Israeli Ministry of Communications shall set, within nine months, regulatory policy with the aim of increasing investment in, and upgrading the fixed communications infrastructure in Israel.

The draft economic plan for 2013-2014 published by the Ministry of Finance in April 2013, proposed among other things, as follows:

1. To amend the Communications Law, as required, in the following manner:

   A. The execution of the Minister's authority to determine payments under the law can include prices based on a reference points (benchmark).

   B. The Minister may determine linkage payments by law based on other indexes than the CPI.

   C. To clarify the Minister's authority to obligate a license holder with respect to activities, services and ancillary arrangements related to interconnection or use of infrastructures.

   D. The Minister shall be authorized to issue instructions to immediately apply on a license holder for a limited period, if the actions of the licensee raise concern of immediately harm to competition, the public or the interests of another operator. The licensee will be given the opportunity to be heard as soon as possible, under the circumstances, after the instruction.

2. To appoint the Minister and do everything necessary to implement the policy as reflected in the policy document dated May 2, 2012, to amend the Communications Law, as required, as described below. Accordingly, amend the Communications Law, as required, as follows:

   A. The Minister may determine, with the consent of the Minister of Finance, the maximum or minimum charges for Telecommunications Services, without the time limit currently existing under law;

   B. The Minister may impose a structural separation between the infrastructure of a Domestic operator and the services it provides to the end customers, if necessary.

   The implementation of the economic plan is subject to all the required approvals and procedures, including any applicable legislation amendments.

Obligation to Extend Services

Similar to the Broadcasting Licenses, the Fixed-Line Licenses contain a requirement to extend our services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services and we have applied for exemptions from the terms of the Fixed-Line Licenses in accordance with the procedure specified under existing regulations. Pursuant to the Fixed-Line Licenses we are also required to provide network access service to other license holders on reasonable commercial terms so as to enable them to provide services to their subscribers and we must also avoid preferential provision of network access to our affiliated companies, including with regard to payment terms and service availability.

Removal of Certain Restrictions on Bezeq

In 2010, following the reduction in the market share of Bezeq, the incumbent telephony services provider in Israel, in the field of land-based communications below 85%, the Israeli Ministry of Communications announced that it was amending the licenses granted to Bezeq and its subsidiaries thus enabling it to commence marketing multiple-play packages to residential customers and allowing it to market its ISP and fixed-line telephony and broadband Internet infrastructure access services together. To the best of our knowledge, Bezeq currently markets two communications multiple-play packages which include: (a) Internet infrastructure access services (ADSL) as well as ISP services from subsidiary Bezeq International; and (b) Internet infrastructure access services (ADSL), ISP services from subsidiary Bezeq International as well as fixed-line telephony services. Bezeq has also recently began to market bundles including its fixed-line domestic services (both telephony and broadband Internet infrastructure access) with cellular services provided by its subsidiary, Pelephone. Bezeq has recently been permitted to provide multiple-play packages to business customers as well. However, Bezeq will not be permitted to discriminate with its Internet infrastructure access services prices between a subscriber that uses the service together with telephone service and a subscriber that only uses the Internet infrastructure access service.

Israel Electric Company Infrastructure

In 2010, the Israeli Ministry of Communications announced that in order to leverage the existing infrastructure owned by the Israeli Electric Corporation, which is a government-owned company and the principal owner of the electric transmission and distribution network in Israel, with a view to increasing competition in the fixed-line telephony and broadband Internet infrastructure access market, it intended to grant a license to a joint venture between the Israeli Electric Corporation and a private sector partner pursuant to which such joint venture would be permitted to provide various communication services, including wholesale products to other telecommunication licensees and fixed-line telephony and broadband Internet access to large business customers. The procedure to select the private sector partner to the Israeli Electric Corporation has also been initiated.

Telephony Services over Broadband

In 2007, the Israeli Ministry of Communications published the licensing policy for the provision of telephony services via broadband Internet infrastructure or Voice Over Broadband. The policy stipulated that the provision of Voice Over Broadband services will be regulated via general specific licenses to be granted pursuant to the provisions of the Communications Regulations (Telecommunications and Broadcasting) (Processes and Conditions for Receipt of a General Specific License), 5764-2004. A general specific licensee will be permitted to provide telephony services using VoIP or VOB technology via the broadband infrastructure access service of a general fixed-line licensee (currently only us and Bezeq). This policy thus permits a general specific licensee to provide services using a fixed-line licensee’s network without the requirement to pay the owner of the network infrastructure charge, although they still must pay interconnection fees, whilst competing with it in providing fixed-line telephony services.

Elimination of Gigabit Ethernet Transmissions Fees

In the Israeli broadband Internet market, the broadband Internet infrastructure access providers, Bezeq and us, receive payment from subscribers for access to the infrastructure and from ISPs for the Gigabit Ethernet (GBE) connections used as part of the connection to the Internet. On June 26, 2012, the Israeli Ministry of Communications announced a hearing and request for comment on the subject of GBE connections for ISPs. The proposal was issued in light of the expectation that the use of the television broadcasting services via the open internet network (OTT) will increase, thus increasing the need for internet bandwidth. In order to ease the entry of additional players into the broadcasting field through OTT, the Israeli Ministry of Communications is considering changing the service files which describe the fee structure charged with respect to the broadband Internet access services provided to customers, so that such fees and services include all of the components that are required to provide the connection speeds for the purchasers of the service, including the carrying of traffic on the access and core networks. Thus, the proposed legislation would eliminate the payments that are currently paid to the owners of the infrastructure by the ISPs for the GBE connections, other than the transmission from point-to-point segment which connects between the networks of the owners of the infrastructure and the facilities of the ISPs and which may be purchased from the owners of the infrastructure or from one of the other appropriate license holders, who provide GBE transmissions. It was also proposed that the owners of the infrastructure maintain a minimum number of connection points on the basis of geographic regions and regulate the ability of the ISP to select a certain number of connection points. The proposal also provides that the owners of the infrastructure will be required to provide GBE connections at a certain rate based on the aggregate connection rate that has been ordered by the subscribers of that ISP. The GBE proposal could reduce the revenue our broadband Internet infrastructure access segment receives as a result of the prohibition on charging ISPs for the GBE connections.

Fees and Royalty Payments

The regulations enacted under the Communications Law obligate HOT Telecom to make royalty payments to the State of Israel in connection with its domestic fixed-line operator license. These royalty payments were reduced to zero in January 2013.

Internet Service Provider

We provide our ISP services through our subsidiary, HOT Net, pursuant to a special license to provide Internet access services (the "ISP License"). The ISP license permits us to provide various services, including Internet access services, email services, installation and maintenance of a network for transmission of data, documents and electronic messages (EDI), processing, management and routing of messages and system administration services (including monitoring and handling malfunctions, information security, information systems and information compression, and securing access to service recipient's computer). Under the terms of the ISP License, we are required to provide ISP services to any customer or other ISP license holders, including to customers of other broadband Internet infrastructure access providers, without discrimination and under identical terms and conditions. Our ISP License is valid until December 31, 2015 and may be extended upon approval by the Israeli Ministry of Communications. As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications. On October 31, 2012, the Israeli Ministry of Communications published an amendment applicable to all licenses issued to ISP providers including our ISP License. The amendment introduced certain provisions mainly relating to consumer protection.

Cellular

Our cellular operations are subject to the Communications Law, the Telegraphy Ordinance New Version, 1972, and the regulations enacted in accordance with them. We are also subject to the Planning and Construction Act and regulations with regard to site construction, the Consumer Protection Law, 1981 and the Non-Ionizing Radiation Law. We provide our cellular services pursuant to a non-exclusive license to erect, maintain and operate a cellular system and to provide cellular services (the "Cellular License"). The Cellular License was amended in September 2011 to add additional frequencies in relation to the creation of a UMTS network. The Cellular License with respect to the main original frequencies which we use to deliver our iDEN based cellular services is valid until February 2016. The Cellular License with respect to the additional frequencies which we will utilize to provide UMTS based cellular services is valid until September 2031. The Cellular License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications. As a general rule, the Cellular License is non-transferable, and the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our cellular operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Pursuant to a decision dated April 2011 of the frequencies Committee regarding the evacuation of frequency bands in a total of 90 MHz in the 2500 MHz frequency band, in favor of the activity of 4 generation mobile services, and as such frequencies have not yet been cleared, it was decided in the draft economic plan for 2013-2014, among other things, to impose on the Minister of Defense to take all necessary actions for eviction of the tracks discussed, and this gradually, starting from 14 days after the decision until October 1, 2015, and to determine a payments arrangement to the Ministry of Defense, depending on the amount to be received within the tender for 2500 frequency. It was also decided to amend the Telegraph Ordinance and to require the security forces to pay fees for the allocation and assignment of frequencies, in order to bring spectral utilization efficiency in the defense system and thus to bring Israel technological upgrading.

Construction of Network Sites

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36 for Communications, which was published in May 2002 ("National Zoning Plan 36"). The construction of radio access devices, which are cell sites of smaller dimensions, is further regulated in the Planning and Building Law and Communications Law.

National Zoning Plan 36

National Zoning Plan 36 includes guidelines for constructing cell sites in order to provide cellular broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape. National Zoning Plan 36 sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. These considerations include the satisfaction of safety standards meant to protect the public's health from non-ionizing radiation emitting from cell sites, minimizing damage to the landscape and examining the effects of cell sites on their physical surroundings. However, National Zoning Plan 36 is in the process of being revised. Current proposed changes will impose additional restrictions and requirements on the construction and operation of cell sites. On June 1, 2010, the National Council for Planning and Building approved the National Zoning Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The main amendments to the Plan are: (a) the plan provides for full liability for depreciated property claims on the cellular operators; (b) the plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the plan demands a minimum distance of 4 meters between antenna poles on a rooftop.

The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown if and when the government intends to approve the Amended Plan. If the Amended Plan is approved, it might have a significant impact on our ability to get permits for our cellular sites. In addition, we may need to change the location of our future cellular network sites to less suitable locations, which may have an adverse effect on the quality and capacity of our cellular network coverage. The cost of complying with the Amended Plan might be substantial, and may adversely affect our revenues and profits.

Radio Access Devices

Most cellular operators have historically relied on an exemption from obtaining a building permit under the Construction and Planning Law for constructing rooftop cellular radio access devices, which was consistent with the Israeli Attorney General opinion on the matter. In May 2008 the District Court of Tel Aviv-Jaffa, in its capacity as court of appeals, ruled that the cellular operators' devices do not meet the exemption's requirements and therefore the exemption may not be relied upon. An appeal was filed against this ruling to the Supreme Court and the Israeli government notified the Supreme Court that it concurs with the appeals against the District Court ruling. Furthermore, in July 2008, a petition seeking to annul the Attorney General's opinion and apply the District Court ruling was filed with the Supreme Court by the Union of Local Authorities in Israel and certain local planning and building authorities which also requested to join our appeal and argue against the position of the State. In June 2009, another petition seeking similar remedies, was also filed with the Supreme Court. The Supreme Court decided to hear both petitions and our appeal together. In September 2009, following publication of the recommendations of an inter-ministry committee established to examine the appropriateness of future application of the exemption, the Attorney General concluded that the application of the exemption does not balance properly the different interests involved and therefore cannot continue. In March 2010 draft regulations were issued setting conditions for the application of the exemption, which include significant limitations on the ability to construct radio access devices based on such exemption, including a limitation of the number of such radio access devices to 5% of the total number of cell sites constructed or to be constructed with a building permit in a certain area during a certain period (which will render the construction of radio access devices based on the exemption practically impossible), and circumstances in which a request for a building permit for the radio access device was filed and no resolution has been granted within the timeframe set in the regulations. In September 2010, the Supreme Court issued an interim order prohibiting further construction of radio access devices in cellular networks in reliance on the exemption. The interim order, that was issued pursuant to the Israeli Attorney General's request, will be in effect until the enactment of the proposed regulations or other decision by the court. A further decision of the Supreme Court in February 2011, states that the order will not apply to the replacement of existing radio access devices under certain conditions. In September 2010, pursuant to the Israeli Attorney General, the Supreme Court issued an interim order prohibiting further construction of radio access devices for cellular networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted Hot Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until July 31, 2011 (subsequently extended to September 30, 2013), provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer; and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot.

Radio access devices also require permits from the Israeli Ministry of Environmental Protection. The local planning and building committee's engineer may object to the exemption for a permit requirement prior to installing radio access devices. An annulment of, or inability to rely on, or substantial limitation of, the exemption could adversely affect our existing network and network build-out particularly given the objection of some local planning and building authorities to grant due permits where required, could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network, and our ability to continue to market our cellular services effectively.

Indemnification Obligations

In January 2006, the Planning and Building Law was amended to provide that as a condition for issuing a building permit for a cell site, local building and planning committees shall require letters of indemnification from cellular operators indemnifying the committees for possible depreciation claims under Section 197 of the Planning and Construction Law, in accordance with the directives of the National Council for Planning and Building. Section 197 establishes that a property owner whose property value has depreciated as a result of the approval of a building plan that applies to his property or neighboring properties may be entitled to compensation from the local building and planning committee. In February 2007, the Israeli Minister of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit under National Zoning Plan 36 for a cell site and one year from the construction of a cell site. The Minister retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

The Non-Ionizing Radiation Law

The Non-Ionizing Radiation Law prohibits the construction and operation of cell sites without a permit from the Israeli Ministry of Environmental Protection. The Commissioner of Environmental Radiation, or the Commissioner, is authorized to issue two types of permits: construction permits, for cell site construction; and operating permits, for cell site operation. These permits contain various conditions that regulate the construction and operation of cell sites. A construction permit is valid for one year, and will allow us to operate a cell site for a period not exceeding three months and an operating permit will allow to operate a cell site for a period of five years. We are required to submit to the Commissioner annual reports regarding radiation surveys conducted on our cell sites and other facilities by third parties that were authorized to conduct such surveys by the Commissioner. In order to receive an operating permit from the Commissioner, certain conditions must be met, such as presenting a building permit or an exemption and means taken (including technological means) to limit exposure levels from each cell site or facility (relevant also for the receipt of a construction permit). The Non-Ionizing Radiation Law, grants the Commissioner authority to issue eviction orders if a cell site or other facility operates without complying with its permit, and it imposes criminal sanctions on a company and its directors and officers for violations of the law. Failure to comply with the Non-Ionizing Radiation Law or the terms of a permit can lead to revocation or suspension of the permit, as well as to withholding the grant of permits to additional cell sites.

The Ministry of Environmental Protection notified us of a new condition for all of our cellular network site operation permits in order to receive operating permits, according to which we must connect to a monitoring system of the Ministry of Environmental Protection that continuously monitors and reports the level of power created in real time from the operation of our cellular network sites.

Since May 2012, we started erecting our new UMTS cell sites according to construction permits received in November 2011. We have also made practical examinations to all our new UMTS cell sites. All of the examinations showed that our new UMTS cell sites comply with the safety standard determined by the Ministry of Environmental Protection. As of August 2012, we began to apply requests for operation permits to our sites to the Commissioner. We also applied the commissioner an application for extended time to connect to the monitoring system. As of November 2012, we started receiving operation permits. On February 4, 2013, we were notified by the Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

Prohibition of Exit Fee

On March 21, 2012, the Knesset passed an amendment to the Communications Law in order to prohibit a license holder from collecting an exit or termination fee from new subscribers who cancel their agreement with the license holder. A license holder is still permitted to collect the balance of payment owed to it by the subscriber relating to the purchase of end-user equipment. The amendment does not apply to large subscribers who have purchased 100 or more lines. Additionally, under the terms of the amendment, as of January 2013, it is not be possible to link a transaction for the purchase of end-user equipment and the provision of cellular services.

Mobile Virtual Network Operator

A mobile virtual network operator, or MVNO, is a cellular operator that does not own its own spectrum and does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing cellular operators to use their infrastructure and network for the MVNO's own customers. The Communications Law was amended in July 2009 to provide for MVNO licenses and in January 2010, the regulations necessary for the granting of an MVNO license were promulgated. The regulations regulate the operation of an MVNO pursuant to an agreement to be reached and entered between a cellular operator and an MVNO and sets, among others, the conditions for receiving an MVNO license, including a requirement to operate a mobile phone switch, a restriction on a cellular operator and a fixed-line operator to receive an MVNO license and limitations on parties related to an existing cellular operator and on other communication licensees, to receive an MVNO license. The amendment provides that in the event that a MVNO and the cellular operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the cellular operator, and if the Israeli Ministry of Communications together with the Israeli Ministry of Finance determine that the failure to reach an agreement is due to unreasonable conditions imposed by the cellular operator, the Ministry of Communications will use its authority to provide instructions. Such instructions may include intervening in the terms of the agreement, including by setting the price of the service. To date the Ministry of Communications has granted nine MVNO licenses.

Fees and Royalty Payments

In accordance with our Cellular License, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. We have provided a bank guarantee to the State of Israel for the remaining NIS 695 million, which is payable in 2016 subject to certain deductions. See "*Description of HOT's Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms.*"

Copyright/Trademark Law

Israel grants copyright protection to original literary, dramatic, musical and artistic works, as well as sound recordings and computer programs under the Copyright Law, 5767-2007. Copyright protection automatically subsists with respect to works which comply with the terms set forth in the Copyright Law. Under the Copyright Law, generally, protection of a work runs from the date of creation until the end of the seventieth year after the year of the death of the author. Israel is party to a number of multinational treaties relating to copyrights, including the Berne Convention.

In Israel, trademarks are governed by Trade Marks Ordinance (New Version), 5732-1972. A trademark registration is valid for ten years from the date of the trademark application. The registration may be renewed for further periods of 10 years after each renewal. The legal protection of a trademark is conditioned on it having distinctive character. Israeli law also provides for legal protection to unregistered trademarks. Under the Trade Marks Ordinance an owner of a trademark that is well-known in Israel can exclude others from using the mark, even when the trademark was not registered in Israel. Israel is also party to a number of multinational treaties relating to trademarks.

Structural Separation

In order to promote competition in the telecommunication and broadcasting industry in Israel the various licenses issued to us to conduct our business contain provisions that require us to maintain strict structural separation between the HOT group entities that hold the licenses, including separation of assets, management and employees. As a result, we generally operate our cable television services which are subject to the Broadcasting Licenses, our broadband Internet infrastructure access and fixed-line telephony services which are subject to the Fixed-Line Licenses, our ISP services which are subject to the ISP License and our cellular services which are subject to the Cellular License as separate businesses conducted by separate entities within our Group. For details, see "*Description of HOT's Business—History*". In addition, pursuant to the license provisions, our cable network assets are owned by HOT Telecom and access to the network is provided to other Group entities pursuant to certain inter-company arrangements and subject to legal requirements. Under the terms of the licenses, we are also prohibited from making any of our services conditional upon subscription to another service. For example, we are not allowed to force customers to opt for our multiple-play packages and must continue to offer our various services on a stand-alone basis also. However, notwithstanding the requirement to maintain such structural separation, we are permitted to offer our customers multiple-play services and conduct related marketing, billing and collection activities of our pay television, broadband Internet infrastructure access and fixed-line telephony on the condition that only commercial information necessary for marketing, billing and collection our multiple-play services are shared between the relevant Group entities.

France

Our business activities are subject to the specific legislation and regulations of both France and the European Union governing the telecommunications sector and the information society.

Regulation of Electronic Communications Networks and Services

The European Regulatory Framework for Electronic Communications

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications Code (Code des Postes et des Communications Electroniques (the "CPCE")) .

In addition, the following texts are also applicable to the telecommunications sector:

- regulation (EC) No. 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and nondiscriminatory conditions; and

- regulation (EC) No. 717/2007 on roaming on public mobile telephone networks within the European Community, amended in 2009 by Regulation (EC) 544/2009 of June 18, 2009 which provides that all wholesale and retail roaming charges levied by mobile operators are subject to price caps which are set until June 30, 2012.

- regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the "BEREC"). Rather than operating as a European regulatory agency, the BEREC's role is to act as a forum for cooperation between the NRAs and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council;

French Regulatory Framework Applicable to Electronic Communications

Authority of the ARCEP

In France, the national regulatory authority (NRA) for electronic communications is the ARCEP.

Our operations do not require specific authorizations from the ARCEP. However, we must declare our activities and register with the ARCEP.

The sanctions available to the ARCEP if an operator fails to comply with the regulatory framework include limiting the scope or reducing the term of the operator's registration, as well as suspending or even fully withdrawing said registration. It can also impose fines representing up to 3% of the operator's annual revenue, or 5% in the event of a repeated breach.

Market Analysis—Asymmetric Regulation

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position.

The first and second phases of such market analysis were completed by the ARCEP at the end of 2007 and 2010, respectively. The market analysis was carried out in three distinct markets: the fixed-line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L.38 (wholesale markets) and L. 38-1 (retail markets) of the CPCE.

We are not presently considered by the ARCEP to be an operator identified as having significant market power in any relevant market except in the market of calls terminating on our network, like any other operator. It implies that we must comply with the regulations applicable to call termination charges on landline networks.

The regime governing the call termination charges has recently been changed. Since January 1, 2013 the call termination charge applied by operators is set at €0.01.

We cannot guarantee that we will not, in the future, be identified by the ARCEP as having significant market power in one or several other relevant markets and that the ARCEP will not impose on us additional regulatory measures.

Symmetric Regulation

The ARCEP also regulates in a "symmetric" way, i.e., by imposing the same obligations on all operators, through a number of decisions, for instance:

- decision 06-0636 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories;

- decision 07-0213 dated April 16, 2007, on routing communications used for value added services;

- decision 2009-0637 dated July 23, 2009, on portability; and

- decision 2009-1106 dated December 22, 2009 and decision 2010-1312 dated December 14, 2010, on access to the terminal section of optical fiber networks.

Interconnection Access

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers. Interconnection agreements are subject to private law and must be disclosed to the ARCEP if requested. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (Cour d'Appel).

We have interconnection agreements with local operators mainly for call termination over fixed an mobile operators. The local loop network is partially leased to France Telecom (ADSL Broadband) and to local fiber suppliers.

Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fiber Networks

The French Economy Modernization Law dated August 4, 2008 introduced several provisions aimed at setting up a regulatory framework for the roll-out of very-high-speed optical fiber networks.

The law comprises a number of measures intended to foster such roll-outs, including: (i) an obligation for private and public landlords to facilitate the installation of optical fiber networks in their buildings; (ii) rules for sharing optical fiber access in order to avoid several networks being set up within the same building (only one "building operator" may therefore set up a network in the said building); (iii) a requirement for each operator offering very-high-speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision making powers to set the terms and conditions relating to the application of this law.

Legal Status of the Le Cable Networks

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head-ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These different components can be governed by different legal statutes. Because Le Cable's physical infrastructure is not built on its own premises (but on public land and private property), Le Cable has entered into concession, easement or lease agreements with landlords. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment.

One of Le Cable's cable networks (Point-à-Pitre, Guadeloupe) can be categorized as an agreement for the delegation of public services (*délégation de service public*). Under such agreement with a local authority for the delegation of public services, the infrastructure and equipment used to carry out the said public services revert back to the local authorities upon expiry or termination of the agreement (*biens de retour*). Renegotiations of these agreements were imposed by laws passed on July 9, 2004 and March 5, 2007 with a view to clarifying the legal classification of these agreements. Moreover, the law of August 4, 2008 authorized local authorities to grant equal rights of access on their network to our competitors even if the agreement with such local authorities says otherwise.

The rest of Le Cable's current cable network is governed by ad hoc legal agreements. Concerning such agreements with local authorities, Le Cable has initiated their transformation into agreements for the occupation of public domain (*conventions d'occupation du domaine public*). Occupation of public domain agreements, which are entered into with local authorities for terms ranging from 10 to 30 years, provide that, upon termination, we must, at the option of the local authority (i) return the entire network to the local authority, in some cases against the payment by the local authority of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, either at our cost or at the cost of the local authority, the equipment installed by us on their land or premises or (iii) transfer the network to another operator, provided it is approved by the local authority.

Fees are typically paid on an annual basis, and in principle based on the size of the network deployed on public land or premises.

Fixed Number Portability

Number portability is an obligation for all operators connecting end-subscribers. Decree 2006-82 of January 27, 2006 extended this number portability obligation to alternative landline operators. The ARCEP decision 2009-0637 implementing this decree was issued on July 23, 2009, and approved by the Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators.

Directories and Provision of Subscriber Lists

All operators that connect end-subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services (as set out in more details by ARCEP decision 06-0639 of November 30, 2006).

Contribution to Universal Service Funding

Pursuant to law 2003-1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. The cost of the universal service is shared between operators pro rata to their revenues derived from telecommunications services.

Broadcasting of Audiovisual Services

The transmission and broadcast of radio and television services falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

As a broadcaster of radio and television services, we must declare our activities and register with the Conseil Supérieur de l'Audiovisuel ("CSA").

Pursuant to articles 42-1 and 42-2 of law 86-1067 dated September 30, 1986 (as amended by law 2004-669), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing said registration. The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In our capacity as a broadcaster of audiovisual services, we are subject to the regulatory "must-carry" provisions, i.e., the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network. The must-carry obligations are governed by articles 34-2 and 34-4 of law 86-1067 dated September 30, 1986.

Moreover, the CSA controls the content of the broadcast channels. In particular, under article 15 of law 86-1067 dated September 30, 1986, the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of specifically designed logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, we make sure that we strictly comply with these rules.

Regulation of the Content of Electronic Communications

Content of Online Services and Liabilities of Internet Market Players

The liability provisions applicable to intermediary Internet service providers are set forth in law 2004-575 dated June 21, 2004 and the CPCE and decree 2011-219 of February 25, 2011 (as modified on March 30, 2012). They include the conditions under which providers/operators can be held civilly or criminally liable.

Copyright and the Internet

Under law 2009-669 adopted on June 12, 2009 promoting the dissemination and protection of creative works on the Internet, a specific "graduated response" system was introduced, aimed at limiting illegal downloads. The French government announced in May 2012 the setting up of an ad-hoc commission dedicated to the reform of HADOPI and the legal framework on copyright and the Internet is expected to be modified in a near future.

Processing of Personal Data and Protection of Individuals

The main applicable provisions of the revised law 78-17 dated January 6, 1978, which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);

- the right of data subjects to access, correct and object to the processing of their personal data must be ensured at all times;

- all processing of personal data must be notified to or duly authorized by the French data protection authority (CNIL), to the exception of very few processings;

- electronic communications providers have a whistleblowing obligation (to the French authorities) in the event of a breach of personal data protection which is detailed in Decree no. 2012-436 of March 30, 2012; and

- any failure to comply with the provisions of law 78-17 is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226-24 of the French Penal Code (Code pénal). Such offenses are punishable by a fine of up to €300,000 and five years' imprisonment.

In the course of our business, we record and process personal data including statistical data, in particular data concerning the number of visits to our websites. These personal data are, however, processed pursuant to all applicable laws.

Last, Decree no. 2012-488 of April 13, 2012 puts additional obligations on operators to protect the safety of personal data on their networks. Operators must, inter alia, implement specific policies to protect the integrity of their networks.

Payment services regulations applicable to OPS

Payment services which the OMT Group plans to introduce through its fully owned subsidiary OPS, are governed by Articles L. 522-1 and following of the French Monetary and Financial Code (the "CMF"), as further detailed in an Order dated October 29, 2009, setting out prudential requirements for payment institutions (the "Order"). As a payment institution, OPS is controlled by the Autorité de Contrôle Prudentiel (the "ACP").

Prior Approval

Pursuant to the CMF and the Order, all payment institutions must have been approved by the ACP. When reviewing the request for approval, the ACP seeks to ensure that the payment institution will be operated in a sound and prudent way and examines, in particular, if the company has (i) a sound system of corporate governance, (ii) an efficient procedure for detecting, managing, monitoring and declaring the risks to which it is, or may be, exposed, and (iii) an adequate internal auditing system. Further, it seeks to verify that the individuals declared responsible for the effective management of the payment institution possess the respectability, competence and experience, as well as the status of the shareholders who have a qualified equity holding.

Changes requiring prior approval from or notice to the ACP

The CMF and the Order provide that some changes require the prior approval of the ACP, while others only need to be notified to the ACP. In particular and without limitation:

The following changes require the ACP's prior approval: (i) change in the corporate form, (ii) change in the types of payment services provided or (iii) change in any element which the ACP imposed as a condition to its prior approval.

The ACP's prior approval will also be required for any direct or indirect acquisition, extension or sale of a shareholding in the payment institution by a person or group of persons (other than a person or entity within the same group) causing these persons to either (i) reach the thresholds of 10%, 20%, or 33.1/3% of the payment institution's voting rights or (ii) acquire or give up the effective control over the payment institution's management.

We have agreed with the sellers of OMT Invest that the request for approval will be filed post-signing (but pre-closing) of the acquisition of OMT Invest, and that such approval will not be a condition precedent to closing, as they consider that (i) the delays required to obtain such authorization would otherwise threaten the completion of the transaction, and (ii) the EBITDA generated by the payment activities of OPS is not material at the level of the OMT group. Further, the risks relating to the delay in obtaining such approval are limited, considering in particular that OMT Invest will ensure that OPS does not engage into its payment activities until receipt of this authorization. This delay will not have any impact on the current activities of the OMT group.

Rules governing the management and organization of payment institutions

The CMF and the Order require payment institutions to abide by a series of management and financial requirements.

Agents

When a payment institution intends to provide payment services through an agent, it must report this agent ("agent") to the ACP, pursuant to the Order.

Control by the ACP

A payment institution must at all times comply with the requirements set out in the ACP's approval and the ACP monitors the compliance of the activities conducted by payment institutions.

The CMF and the Order provide that if a payment institution fails to comply with any of the requirements applicable to payment institutions, the ACP may withdraw its approval. In such a case, the payment institution will be removed from the list of authorized payment institutions within a maximum of fifteen months from the ACP's decision and funds received in connection with payment services must be returned to the users of the payment services or transferred to a credit or payment institution or to the Caisse des Dépôts et Consignations within this fifteen-month period.

The ACP may also impose disciplinary sanctions on payment institutions, including their removal from the list of authorized payment institutions. In such a case, the institution is banned from offering payment services and, in certain circumstances, this sanction entails the dissolution of the payment institution.

Luxembourg

Legislative framework applicable to the provision of telecommunications services and networks

The Luxembourg legislator implemented parts of the Directives on the Open Network Provision with the law of March 21, 1997 on telecommunications, which initiated the liberalisation of the telecommunications market. This law set a new legislative framework for the provision of telecommunications services and networks and completed the separation of regulatory functions and service provision functions with the creation of an independent regulatory authority in charge of monitoring the telecommunications sector.The above-mentioned law was substantively amended by the law of May 30, 2005 on electronic communications networks and services which constitute one of the four acts of the Telecom Reform Package.

The Telecom Reform Package is effectively composed of four Acts :

- The Act of May 30, 2005 on networks and electronic communications services repealed by the Act of February 27, 2011 on the networks and electronic communications services (the "Telecom Act");

- The Act of May 30, 2005 on the organisation of the management of radio frequency spectrum last amended by the Act of February 27, 2011 (the "Spectrum Act");

- The Act of May 30, 2005 on the the organisation of the Luxembourg Institute of Regulation amended on several occasions and;

- The Act of May 30, 2005 on the specific provisions regarding the protection of individuals as to the processing of personal data in the electronic communications sector (the "Personal Data in Electronic Communication Act").

1.2. Legal regime

1.2.1. Electronic communications services and network

Under article 2(27) of the Telecom Act, "electronic communications service" means a service normally provided for remuneration which consists wholly or mainly in the conveyance of signals on electronic communications networks, including telecommunications services and transmission services in networks used for broadcasting, but exclude services providing, or exercising, editorial control over, content transmitted using electronic communications networks and services; it does not include information society services which do not consist wholly or mainly in the conveyance of signals on electronic communications networks.

Under article 2(24) of the "Telecom Act" , "electronic communications network" means transmission systems and, where applicable, switching or routing equipment and other resources which permit the conveyance of signals by wire, by radio, by optical or by other electromagnetic means, including satellite networks, fixed (circuit and packet-switched, including Internet) and mobile terrestrial networks, electricity cable systems, to the extent that they are used for the purpose of transmitting signals, networks used for radio and television broadcasting, and cable television networks, irrespective of the type of information conveyed.

Under Luxembourg regulation operators are free to provide electronic communications networks and services. Indeed, under article 7 of the law of February, 27, 2011 the 2011 E-Law, the provision of electronic communications services and networks can be freely exercised. Any undertaking, however, wishing to engage in such activities must first notify the Luxembourg Regulatory Institute ("LRI") which notably regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI provides a standard notification form to the undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardised certificate, proving that the entity has duly filed a notification.

In principle, the LRI regulates upstream by preventing any hindrance to competition in regulated sectors and freedom of economic activity while the Luxembourg Competition Council regulates downstream by sanctioning such anti-competitive hindrances.

The LRI is also entrusted with the collect of notifications sent by undertakings planning to provide electronic communications networks and services ("notified undertakings") and maintains a registry of notified undertakings.

The LRI has also the possibility to impose sanctions on notified undertakings not complying with the related regulations, specifications made in their implementation, and the regulatory measures of the LRI.

The maximum fine that the LRI may impose on notified undertakings is of EUR 1,000,000. The LRI may also impose a daily fine (penalty) of an amount between EUR 200 and EUR 2,000, fixed according to the economic capacity of the undertaking and the nature of the infringement. Such fine may be doubled for a second offense.

The LRI may also take complementary or alternative disciplinary sanctions (e.g. warnings, prohibitions on carrying out certain operations, or temporary suspension of one or more managers or directors of an undertaking).

The LRI is entitled to suspend temporarily or definitely, without giving rise to any right to compensation, the services provided by a notified undertaking after having notified such undertaking of its infringement of the law.

1.2.2. Content regulation and protection

Pursuant to the "Personal Data in Electronic Communication Act", operators of electronic communication services and networks are compelled to ensure the confidentiality of the communication exchanged by way of electronic communication means.

The general rule is that other than the user, no person is allowed to listen, intercept or store communications and data related to the traffic and location without the agreement of the user.

This prohibition does not apply to communication related to emergency calls, commercial transactions to the extent that they constitute proof of the transactions, authorities investigating and acting in relation to a *flagrante delicto* or within the scow of criminal offenses in order to ensure national and public security and cookies. In relation to data resulting from commercial transactions and cookies, the user or parties to the transaction must be informed that their data may be processed, the conditions (in particular the duration) and aim of the storage, and the possibility of the user opposing such data processing.

1.2.3. Radio Spectrum

The use of radio spectrum is regulated by the "Spectrum Act" and the Grand Ducal decree of April, 7 2011 on the administrative taxes applicable to telecommunications.

The frequencies are granted by the Minister responsible for communications, in accordance with the national plan of allocation and assignment of frequencies. This plan allocates specific frequencies by type of use. The aim is to ensure the quality of the service and to avoid interferences. The Minister might consider technological neutrality where all the parameters ensuring service quality for shared channels are known.

Frequencies can be granted upon request or under certain circumstances (e.g. if several candidates request the exclusive use of the same frequency through an open tendering allowing for the selection of the candidates on one of the following criteria: best offer, competition, or comparison.

The use of spectrum cannot be made license-exempt. Nevertheless, spectrum can be made exempt from individual licensing. In this case, general conditions applicable to certain type of application are pre-defined and, as far as these conditions are met, no individual licence is required.

The Grand Ducal decree of April 7, 2011 on the administrative taxes applicable to telecommunications set out the fees and levies that have to be paid. For some applications, the fees have been defined in the licence itself. Generally, the fees are linked to the used amount of the spectrum.

Since the implementation of the law of February 27, 2011, allocating licenses are non longer personal. On that account it is currently possible to sell, transfer or sublease allocated spectrum, this enhancing the flexibility of spectrum use.

2. Audio-visual Media

2.1. Overview

The media sector is mainly governed by the Act of July 27, 1991 on electronic media as amended by the Act of December 17, 2010 and the law of April 8, 2011 (the "Electronic Media Act") and the law of April 11, 2010 on freedom of expression in electronic media amending the law of 8 June 2004 (as amended) on the freedom of expression in the media sector.

A certain number of Grand-ducal decrees regulate also the media sector.

Besides, two Acts governs the audiovisual production:

- the act of 21 December 1998 establishing a temporary special tax regime for audiovisual investment certificates and;
- the act of 16 March 1999 creating a national support fund for audiovisual production.

The media law creates several governmental commissions, the first of which is the Media and Communications Services which assists the minister in the determination and the execution of the Luxembourg media policy. In the field of Media, its main responsibilities are to:

- promote the development of the programs viewable by the Luxembourg population;
- promote in concert with other commissions and committees, Luxembourg as European centre for audio-visual and communication activities;
- assist government representatives responsible for the supervision of the beneficiaries of licenses or authorisation and;

- ensure communication with international organizations responsible for the supervision of the audio-visual sector and ensure representative function within certain European committees.

Then, there is also the Independent Radio broadcasting Commission which has three main functions :

- implementing of provisions relating to authorizations of low powers transmitters;

- advising the government in authorization matters and;

- arbitration of specific potential disputes.

Finally, the National Programming Council which is an independent body advising the government on matters of surveillance of certain specific television and radio programs and proposes a balanced content for socio-cultural radio programs.

A new bill of law presented on October 10, 2012 modifying the actual law of July 27, 1991 on electronic media aims at centralizing the competence of the three existing commissions into one single authority, "the Luxembourg Independent Audi-visual Authority", which will gain disciplinary powers and adopt the status of public institution.

2.2. Legal regime

The Media law has been recently amended in order to adapt itself to the newest sorts of audio-visual and radio media. More importance is attributed to content regulation. Rules are set related to enhance the protection for children and non-discriminatory content and the form and the content of commercials advertising are more regulated.

2.2.1. Licenses for distribution of audi-visual media

Pursuant to article 2 of the Electronic Media Act, is considered as a television or radio Luxembourg program, any program which is transmitted to the public through a Luxembourg broadcasting frequency.

Pursuant to article 3 of the Electronic Media Act, no one can transmit a radio or television program without having priorly obtained a permission or a licence granted by the first Minister assisting by the Services of Media and Telecommunications.

Thus, a company willing to develop an audiovisual media service (either a television or an on-demand audiovisual media service) would be required to notify to the Ministry of Economies its intention to provide such a service either because it is considered as a Luxembourg provider or under some circumstances as a foreign media service provider by the amended Electronic Media Act which provides the applicable criteria in this respect.

In that case, the company shall notify the Ministry at least 20 days prior launching the service.

2.2.2. Licence for a Luxembourg satellite program

Applications for the granting of licenses shall be sent by email to the Prime Minister—Department of Media and Communication, information about the applicant and the relevant program must be attached.

The Department of Media and Communication conduces an initial review. If it is deemed complete; the licence application is forwarded to the Independent Commission on broadcasting for advice. The final decision is taken by the government on the advice of the Prime Minister, and the licence is granted by the Prime Minister on behalf of the government.

2.2.3. Licence for Luxembourg cable program (TV and Radio)

The same process as licence for a Luxembourg satellite program shall be conducted for a licence for a Luxembourg cable program.

2.2.4. Permission for sound radio program

The allocation of frequency is subject to the condition that a terrestrial frequency is available in Luxembourg. In this case, terrestrial frequencies are granted following a public call nomination.

The Independent Commission on broadcasting is the body that grants the permission for programs to low power transmitters and make the call for nomination for these frequencies.

3. Internet infrastructure

3.1. Overview

Internet access services as well as services provided through internet are regulated by the Telecom Act of May, 30 2005 which has been amended by the Act of February 27, 2011.

Internet services providers are subject to telecommunications regulation depending on the type of services that is considered (i.e. access services would be regulated by electronic communications laws whereas content would depend on different set of legislation.

Beside, cybersecurity is one of the priorities of the Luxembourg government. Individuals and companies are encouraged to take appropriate measures to defend themselves against cyberattacks. Similarly, the government has created "CASES Luxembourg" which is a project accessible by all internet users, the purpose of which is to make the public aware of a potential cyber attack inherent to Internet use and advises on how to identify them.

In July 2011, the government has created two new structures : the Luxembourgish Cybersecurity Board whose mission is to work on a strategic plan against attacks via the internet, and the governmental Computer Emergency Response Team which is responsible if an incident of cyber crime ever occurs in the public information systems.

To date there no is legal obligation for operators and or internet service providers to assist content owners whose rights may be infringed. However, to be exempt of liability in such a case, internet services providers shall act promptly upon knowledge of fact of circumstances, following which content is obviously illegal, to remove or disable access to such content.

To date, there is neither no restrictions blocking on service providers by operators. From a legislative point of view, Luxembourg is one of the countries which defended net neutrality in the framework adoption of the telecom package.

3.2. Legal regime

Pursuant article 5 of the "Telecom Act", the operation of electronic communication services or networks, notably internet services and IP-services, is subject to a notification to the ILR.

Concerning internet service provider, the law on electronic commerce as amended of August 14, 2000 provides the obligation for hosting and caching providers to stop the activity or information from the moment that it has an actual knowledge that the activity or information is illegal or from the moment that the facts and circumstances show apparently that the activity or information is unlawful.

4. Others

The laws listed below may be also applicable to the telecommunication, media and internet sector :

- the law of April, 18, 2001 on copyrights as amended;
- the law of August, 2 2002 as amended (for the last time by a law of July 28, 2011) regarding the protection of individuals as to the processing of personal data ("the Data protection law");
- the law of May 15, 2006 related to trademarks (the "Trademark law");
- the law of 11 August 1982 on privacy (the "Privacy law");
- the Consumer code introduced by the law of April 8, 2011.

General laws are applicable for all aspects not specifically regulated by specific laws or regulations, in particular the provisions of the Luxembourg criminal Code (e.g. in relation to pornography, discrimination, racism, violence theft and privacy).

In addition, a large number of Grand-Ducal regulations and other regulations (particularly from ILR) have been adopted in relation to the implementation of various laws.

Portugal

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89, of 11 September 1989 to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: a state-owned and monopolistic basic telecommunications network and services, which meant the fixed national telephony services and some associated facilities, run by the publicly-owned companies that in 1995 merged to form the PT Group; and the so-called complementary services which assembled a large group of mainly private operators ranging from cellular wireless operators (using GSM), paging, trunking, VSAT and data transmission (using mainly Frame Relay and X25 protocols).

Ensuing the 1996 revision of the European Unions' ONP Directives (e.g. Directives 96/2/EC, 96/19/EC and 97/13/EC), in August 1997 the Portuguese Government decided to revise the whole regulatory structure and submitted to Parliament a new Telecommunications Bill aimed at establishing "the general bases that regulate the establishment, management and exploitation of telecommunications networks and the provision of telecommunications services" later enacted as Law 91/97, of 28 August 1997 (the "1997 Telecommunications Law"). The adoption of a "full liberalization" principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on 1 January 2000 with the end of the Portugal Telecom's legal monopoly over fixed telephony services.

Following the major review of existing EU telecommunications law that resulted in the adoption of a new regulatory framework for electronic communications in 2002, known as the "Review 99" Directives, the Portuguese Parliament voted Law 5/2004 of 10 February 2004 (the "2004 Communications Law"). The new legislation transposed the EU Review 99 package Directives and regulations to national law and revoked all previous regulations containing provisions related to general market framework, licensing, interconnection and all telecommunications networks and service provision, with the exception of radio communications, telecommunications infrastructure and supply of electronic equipment.

In 2011, Law 51/2011, of 13 September 2011, amended the 2004 Communications Law, transposing other EU Directives to national law. Although some provisions of the 2004 Communications Law already dealt with data privacy issues, the Data Protection Directive (Directive 2002/58/EC) was transposed by Law no. 41/2004 of 18 August.

ICP-ANACOM, a public entity endowed with financial and administrative autonomy and with its own assets, is the entity with the general duties of regulating, supervising and representing the communications sector. ICP-ANACOM is an independent body in the exercise of its duties, although subject to the policy guidelines set by the Government in respect to the communications' sector, and to supervision by the relevant Ministry as to certain acts which fall under the Government's administrative power. ICP-ANACOM is granted the powers to investigate unlawful behavior and impose fines or other sanctions under the 2004 Communications Law.

Undertakings willing to provide electronic communications services are required to notify ICP-ANACOM under the General Authorization regime and may therefrom begin their electronic communications provider activity. Undertakings are then subject to certain provisions relating to the specific services they provide, and can also be subject to other regulatory obligations in case they are found by ICP-ANACOM to have significant market power in some market sectors.

ICP-ANACOM is also the enforcer of Decree-Law 151-A/2000, of 20 July 2000 (the "2001 Radio Communications Law"), and as such, it is up to ICP-ANACOM to grant radio licenses and manage the radio electric spectrum, the numbering resources and the sharing of radio communications infrastructures.

For both mobile and fixed telephony services, under ICP-ANACOM Regulation no. 114/2012 on number portability, operators are obligated to ensure the effective transfer of the number within a maximum period of one business day from the presentation of the request by the subscriber before the new operator.

Under Decree-Law 7/2004, of 7 January 2004, as amended, internet service providers are not liable for information transmitted over their electronic communications network provided that they are not the disclosing party of the transmitted information, do not select or modify neither the information nor its recipients. Storage providers can only become liable for unlawful stored information provided that they become aware of the unlawful use of that information and upon becoming aware, do not take action to remove or to disable access to the information.

Under Portuguese data protection law, it is necessary to obtain the prior consent of the user to store information and to access stored information in the user's equipment, as well as to send unrequested communications for direct marketing purposes. Electronic communications services providers are demanded to notify the *Comissão Nacional de Protecção de Dados* in cases of breach of personal data of the users.

Universal Service obligations are still provided by the PT Group, however, an auction took place earlier in 2013 and the universal service provider(s) for the next five years are still to be disclosed by ICP-ANACOM. ICP-ANACOM sets out the Universal Service provision regimes and manages the Universal Service Compensation Fund, set up to finance the net costs arising out of the provision of such services and that consists of funds collected from the electronic communications services providers, and to a lesser extent, of contributions from the State or money collected from fines.

The Consumer Protection Law establishes that debts of consumers to electronic communications services providers are subject to a six-month limitation period, starting from the moment the services were provided. Consumer protection was strengthened by Law 10/2013, of 28 January 2013, establishing rules of mandatory suspension and/or termination of the service provision in a short period of time in case the consumer fails to pay an invoice on the due date.

ICP-ANACOM collects an annual regulation fee to electronic communications services providers and other regulation fees that directly related to its activity, such as a fee for granting the usage of certain numbers or certain frequencies. Municipalities collect a municipal fee for rights of way (“MFRW”) established in the 2004 Communications Law, based on the provider’s turnover concerning end users in each municipality.

Under Law 55/2012, of 6 September 2012, electronic communications service providers are also required to contribute for a fund concerning the financing of audiovisual and independent cinema works. Contributions are based on the total number of subscribers and increase at a yearly rate of 10 per cent, from €3.50 to a cap of €5.00 per subscriber per year. However, providers have been challenging these contributions on the grounds that they are contrary to Portuguese constitution and EU law. The same act also establishes a compulsory investment obligation pending on video-on-demand services (“VoD”).

The key statutes and regulations setting the current telecommunications legal framework are:

(a) The 2004 Communications Law;

(b) Law 10/2013, of 28 January 2013, on the strengthening of electronic communications services consumer protection;

(c) Law 55/2012, of 6 September 2012, on the financing of audiovisual and independent cinema works;

(d) Decree Law 56/2010, of 1 June 2010, on the unlocking of terminal equipment to allow access to electronic communication services;

(e) Decree-Law 123/2009, of 21 May 2009, as amended, on the access to infrastructure suitable for usage by telecom services;

(f) Law 99/2009, of 4 September 2009, approving the legal framework of administrative offences within the communications sector;

(g) Decree-Law 78/2009, of 21 May 2009, concerning the deployment of telecommunications networks in buildings (ITUR and ITED regulations);

(h) Administrative Rule 1473-B/2008, of 17 December 2008, as amended, on regulatory fees;

(i) ANACOM Regulation 58/2005, of 18 August 2005, as amended by Regulation no. 114/2012, of 13 March 2012, on number portability;

(j) Law 41/2004, of 18 August 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;

(k) ANACOM Regulation 38/2004, of 29 September 2004, on the procedures for the collection and delivery of the MFRW to municipalities;

(l) Decree-Law 7/2004, of 7 January 2004, on information society services and electronic commerce;

(m) Decree-Law 309/2001, of 7 December 2001, which approved the statutes of ICP-ANACOM; and

(n) The 2001 Radio Communications Law.

Belgium

Generalities—Under Belgian law, telecommunications and broadcasting activities are regulated separately. Telecommunications include telephony and Internet and are regulated by the Federal Electronic Communications Act of June 13, 2005 (ECA). Television and radio broadcasting is regulated by decrees at community level (Decree of the Flemish Community of March 27, 2009; Coordinated Decree of the French Community of March 26, 2009; Decree of the German Community of June 27, 2005; and the Act of March 30, 1995 of the Federal State for broadcasting activities that are not provided in either French or Dutch in the Brussels-Capital region). The sector is also regulated by decisions, resolutions and recommendations of BIPT (the federal postal and telecommunication services regulator) for telecommunications, as well as of radio and television regulatory authorities at community level. In addition, network infrastructure can be subject to local planning and other regulations issued by municipalities. Specific requirements can also be imposed on entities that are deemed, by the BIPT and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including non-discrimination and transparency obligations with respect to access, accounting, and price (Numericable has notably been recognized as an operator with significant market power on the Brussels retail market for the distribution of television and radio services by cable).

Market Practices—Joint offers, e.g. of telephony services, Internet services and television services, are allowed under Belgian law, provided that such offers comply with EU and national competition legislations and that they do not constitute an unfair trade market practice prohibited by the Act of April 6, 2010 on Market Practices and Consumer Protection. Network operators must also comply with all applicable consumer protection provisions set forth in this act, as well as, where applicable, other legislation, namely the Act of May 15, 2007 on the Protection of Consumers in respect of Radio Transmission Services and Radio Distribution.

Prior notification—Under the ECA, companies must notify to the BIPT electronic communications services and/or networks that they intend to provide as well as any change thereto.

Telephony Regulation—The ECA mandates that a minimum set of “universal services” be offered to all end-users, independently of their geographical location, at an affordable price and at specified quality level, and contains, in addition to applicable general privacy protection regulations, several provisions that address privacy protection in the electronic communications sector, including, notably, the processing and use of traffic and location data, the confidentiality of communications, as well as the subscribers’ rights with respect to telephone directories. The BIPT may issue specific regulations with respect to, e.g. the allocation of numbers and radio frequencies.

Internet Regulation—In addition to the provisions of the ECA, activities of Internet service providers are also subject to the Acts of March 11, 2003 on certain Legal Aspects of Information Society Services that provide that Internet service providers may not be held liable for information transmitted over an electronic communications network, subject however to certain conditions and exceptions.

Broadcasting Regulation—The provision of radio and television broadcasting services are subject to prior notification to the relevant regulatory authority, i.e. the VRM, CSA and, BIPT for the Flemish Community, French Community, respectively the Brussels-Capital Region. Pursuant to the Flemish and French Broadcasting Decrees as well as the Act regulating broadcasting activities in Brussels-Capital, network operators must also comply with Must Carry obligations, which impose them to distribute specific radio stations and television channels in their respective communities. The same legislative acts also provide, in the relevant territorial areas, for a right of way for what concerns cable networks.

The Act of January 22, 1945 on economic regulation and pricing and the Ministerial Decree of April 20, 1993 regarding special regulation on prices impose on television services distributors the Minister of Economy’s prior consent for any price increase of their basic package.

Pursuant to the Act of June 30, 1994 on Authors’ Rights and Neighboring Rights, cable companies must receive approval from the holders of relevant author and related rights to distribute radio and television signals embedding protected works over their cable. A collective author society has initiated a law suit before a Brussels court to have Internet service providers subject to the same regime.

MANAGEMENT AND GOVERNANCE

The Senior Notes Issuer

The Senior Notes Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg. The Senior Notes Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on August 17, 2012 under the name of "Altice Finco S.A.". The registered office (*siège social*) of the Senior Notes Issuer is at 3, boulevard royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Senior Notes Issuer's telephone number is +352 283 71 079. The Senior Notes Issuer is registered with the Luxembourg Register of Commerce and Companies under number B 171151.

The following table sets forth certain information regarding the members of the board of directors of the Senior Notes Issuer as of the date hereof. The number of directors is not subject to any maximum limit. The sole shareholder of the Senior Notes Issuer has the authority to dismiss any director and fill any vacancy.

Name	Age	Position
Jérémie Bonnin	38	Chairman
Emilie Schmitz	31	Director
Laurent Godineau	39	Director

Jérémie Bonnin, 38, is a director of the Senior Notes Issuer. He is also the General Secretary of Altice and Head of Corporate and Business Development. Jeremie Bonnin joined Altice in May 2005 as Corporate Finance director. Before joining Altice, he was manager in the Transaction Services department at KPMG which he joined in 1998. As such, he led several due diligence projects and notably worked in the telecommunications area. Since his appointment at Altice, he has been constantly involved in all the transactions which lead to the international expansion of the Altice footprint (including in France, Belgium, Luxembourg, Switzerland, Israel, Portugal and the French Overseas Territories). He developed a strong expertise in the negotiation and implementation of cross-border transactions, and in financial management in the telecommunications sector. As General Secretary, he is also responsible for the implementation of consistent policies in corporate, structure, organization and legal aspects within the Group. Mr Bonnin is an engineer with a degree in information system architecture from Institut d'Informatique d'Entreprise high-school in France and a BA in Economics and Accounting from the Conservatoire National des Arts et Métiers.

Emilie Schmitz, 31, is a director of the Senior Notes Issuer. Mrs Schmitz serves as an accountant manager of Centralis SA, a corporate and trust services provider. Prior to joining Centralis S.A. in 2010, Mrs Schmitz was a Senior Advisor at Deloitte SA (Luxembourg). She graduated from the School Robert Schuman of Metz (France) with a bachelor's degree specializing in accountancy and management.

Laurent Godineau, 39, is a director of the Senior Notes Issuer. Mr Godineau works at Quilvest Luxembourg Services S.A., a corporate and trust services provider specialized in private equity funds. Prior to joining Quilvest Luxembourg Services SA in 2013, he serves as a general manager of Centralis S.A., a corporate and trust services provider. Prior to joining Centralis S.A. in 2007, Mr. Godineau was a Senior Advisor at Alter Domus (Luxembourg). He graduated from the ESC Bretagne Brest with a master's in Finance and Chartered Accountancy and also holds a Master of Sciences degree in International Business and Finance from the University of Reading.

Cool Holding

The following table sets forth certain information with respect to members of the board of directors of Cool Holding, the parent company of HOT, as of the date hereof. Cool Holding's directors are appointed by its sole shareholder, Altice. The board of directors of Cool Holding is composed of at least three directors but is not subject to any maximum limit. Altice has the authority to dismiss any director and fill any vacancy. The registered office (*siège social*) of Cool Holding is at 3, boulevard royal, L-2449 Luxembourg, Grand Duchy of Luxembourg.

Name	Age	Position
Jérémie Bonnin	38	Chairman
Anne-Laure Coates	32	Director
Laurent Godineau	39	Director

Anne-Laure Coates, 32, is a director of Cool Holding. Mrs. Coates joined Altice in 2009 as an analyst. Prior to joining Altice, Mrs. Coates worked for a Boussard & Gavaudan hedge fund and then as a private banker within Credit Suisse. She graduated from Exeter University, with a bachelor's degree in Hispanic studies.

Altice VII

The following table sets forth certain information regarding the members of the board of managers of Altice VII as of the date hereof. The number of managers is not subject to any maximum limit. The sole shareholder of Altice VII has the authority to dismiss any manager and fill any vacancy.

Name	Age	Position
Jérémie Bonnin	38	Chairman
Emilie Schmitz	31	Manager
Laurent Godineau	39	Manager

Altice Holdings

The following table sets forth certain information with respect to members of the board of managers of Altice Holdings, which will be the indirect parent company of Cabovisao, Coditel, Outremer, Green, Le Cable Martinique and Le Cable Guadeloupe following the Transactions. Altice Holdings' managers are appointed by its sole shareholder, Altice VII. The board of managers of Altice Holdings is composed of at least three managers but is not subject to any maximum limit. Altice VII has the authority to dismiss any manager and fill any vacancy. The registered office (siège social) of Altice Holdings is at 3, boulevard royal, L-2449 Luxembourg, Grand Duchy of Luxembourg.

Name	Age	Position
Jérémie Bonnin	38	Chairman
Laurent Godineau	39	Manager
Emilie Schmitz	31	Manager

HOT

Board of Directors

The following table sets forth certain information with respect to members of the board of directors of HOT as of the date hereof.

Name	Age	Position
Hertzel Ozer	56	Chairman and CEO
Dexter Goei	41	Vice-Chairperson
Isia Tchetchik	73	Director
Jérémie Bonnin	38	Director
Relly Shavit	63	Director
Amos Sapir	75	Director

Hertzel Ozer, see below.

Dexter Goei has served as vice-chairperson of HOT's board of directors since December 2011 and as chairperson from February 2010 to May 2011. Mr Goei is the Managing Director and CEO of Altice. Mr. Goei joined Altice in 2009. Prior to this, Mr. Goei worked as an investment banker at Morgan Stanley & Co. between 1999 to 2009, in its European Media and Telecommunications Group, which he co-headed from 2008 to 2009. From 1993 to 1999, he worked as an investment banker at J.P. Morgan & Co. in its New York and Los Angeles investment banking divisions. Mr. Goei graduated cum laude from Georgetown University School of Foreign Service in 1993 with a Bachelor of Science in International Economics.

Isia Tchetchik has been a director of HOT since January 2007 and served as chairperson from January 2007 to February 2010. Mr. Tchetchik also serves on the boards of directors of a number of additional companies, including as chairman of Alliance Tire Company Ltd. From 1984 to 1994, Mr. Tchetchik was the chairman of Champion Motors. Mr. Tchetchik served as CEO of OREK from 1994 to 2001. From 1997 to 2006, Mr. Tchetchik was the chairman of Golden Lines. Mr. Tchetchik also served as chairman of Nextcom from 2006 to 2008 and has been the chairman of Alians since 2001. Mr. Tchetchik has a BA in Economics and Statistics from Hebrew University, a BA in Psychology from Tel Aviv University, a Masters in Industry and Management from the Technion and an MBA from INSEAD.

Jérémie Bonnin see above.

Relly (Rachel) Shavit has served as an external director of HOT since July 2010. Ms. Shavit has been the vice president of finance for Bar-Ilan University since 2006. Ms. Shavit has been a director of ILDC Energy since 2011.

Ms. Shavit has a BA in Economics and Statistics and a Masters degree in Economics from Tel Aviv University and completed an advanced coursework for accountants at the Israel Management Center.

Amos Sapir has served as an external director of HOT since June 2007. Mr. Sapir serves as a business and economic advisor, as well as Chairman of the Board of Directors at various private and public companies, including N. Feldman & Son. Until October 2009, Mr. Sapir served as the Chairman of Standard & Poor's Maalot Ltd. Previously, Mr. Sapir held various senior positions at Clal Group. Mr. Sapir earned a BA in Economics and International Relations from the Hebrew University in Jerusalem, as well as an MBA with a focus in finance from Columbia University, where he also studied for a doctorate in finance and banking.

In accordance with HOT's Articles of Association, the Board of Directors of HOT shall consist of no less than five and no more than ten members (currently, there are six members). Directors are elected by shareholders for four year terms. HOT is also required by law to appoint two external directors, who serve for three year terms. Currently, Mr. Sapir and Ms. Shavit are HOT's external directors.

Senior Management of HOT

Hertzel Ozer has served as Chief Executive Officer of HOT since December 2008. From 2005 to 2008, Mr. Ozer served as the CEO of the culinary division at Osem. From 2002 to 2004 served as CEO of Nesher Israel cement enterprises Mr. Ozer earned a BA in Economics and Statistics and an MBA from the Hebrew University of Jerusalem.

Patrice Giami was appointed as Deputy Chief Executive Officer in January 2013. From December 2010 to 2012, Mr. Giami served as CEO of Hot Net prior to which Mr. Giami was a Vice President at HOT Mobile Ltd. In addition, since June 2011, Mr. Giami has served as Chief Operating Officer of Altice. Mr. Giami earned a certificate in science from the Polytechnique School of Paris, a degree in telecom engineering from French National Telecom Engineering School and a graduate degree from Paris Dauphine University in Industrial Organization and Business Strategy.

Jean-Luc Berrebi has served as the Chief Financial Officer of HOT since June 2012. Previously, from August 2010, he served as Vice President for Supply Chain and Performance Enhancement of HOT. From January 1998 to July 2010 Mr. Berrebi was a partner at Deloitte & Touche. Mr. Berrebi earned a BA and Masters degree in Accounting from Dauphine University in France.

Orit Gidron Harit has served as legal counsel of HOT since March 2008. From 2007 to 2008 Ms. Gidron Harit served as the Company's secretary. Ms. Gidron Harit earned a BA in Law from Tel Aviv University.

Yoram Mokady has served as Vice President of Content of HOT since December 2009. From 2008 to 2009 he served as the company's VP of Regulation. Mr. Mokady earned a degree in Law from the Hebrew University.

Maximiliano (Max) Blumberg has served as Chief Technology Officer of HOT since February 2012. In the past, he served as CTO at 012 Smile (4.5 years) and as VP of IT & Engineering at Internet Zahav (3 years). Mr. Blumberg earned a degree in Computer Science & Mathematics from Netanya Collage.

Ilan Zachi has served as Vice President of Private Customers of HOT since September 2011. From April 2010 through August 2011, Mr. Zachi served as Vice President of Customer Service. In his previous positions, Mr. Zachi served as manager of customer service for Cellcom Ltd. Mr. Zachi earned a BA in Business Management from the Rupin Academic Center and an MBA from the College of Management.

Lilach Tal was appointed as Vice President of Communications and Regulation of HOT in January 2013 and has served as Vice President since September 2009. From 2005 to 2009, Ms. Tal served in the Israeli Foreign Ministry abroad. From 1995 to 2005, Ms. Tal was manager of marketing at Nestle-Osem. Ms. Tal earned a BA in Management (Economics) and a Masters degree in Marketing and Management from Tel Aviv University.

Savion Bar-Sever Sigalat Ms. Bar-Sever Sigalat has served as Vice President of Marketing of HOT since October 2009. From 2007 to 2009 Ms. Bar-Sever Sigalat served as Vice President of Marketing for the Central Beverage Company and from 2004 to 2007 she served as CEO of Kidum. From 2000 to 2004, Savion served as VP of Marketing at "Burger Ranch" Israel. Ms. Bar-Sever Sigalat earned a BA in Industrial Engineering and Management from the Technion and an MBA from Tel Aviv University.

Amalia Zarka has served as Vice President HR of HOT since September 2007. From 2004 to 2007 Ms. Zarka served as Head of HR & Training at Israel's Union Bank, and from 2000 to 2004 she served as HR Manager at Tnuva. Ms. Zarka earned a BA in Social Work from Bar Ilan University and a masters degree in Management & Organizational Behavior from Tel Aviv University.

Asi Moyal has served as Manager of the Business Customers Division since February 2012. Mr. Moyal served as managers of the Telecom Industry and Trade of Microsoft Israel for 3.5 years and as the head of business division of the company for 2 years. Mr. Moyel earned a BA in political science from Tel Aviv University and a Masters in marketing from the College of Management Academic Studies.

Xavier Darche has served as Vice President of Technology of HOT since March 2010. He was a vice president of Platforms Operation for 2.5 years, and VP information Systems for 1 year at Numericable. He was the chief technology officer of Altice One for 2 years. Mr. Darche earned a degree in electrical engineering and an MBA from Universitee Catholique de Louvain.

Board Committees

Audit Committee

HOT's Audit Committee is comprised of Ms. Shavit, Chairperson, and Messrs. Tchetchik and Sapir. The Israeli Companies Law requires companies whose securities are publicly traded, such as HOT, to appoint an audit committee comprised of at least three Board members, including all the company's external directors, the majority of whom must be Israeli independent directors. Under the Companies Law, the chairman of the audit committee is required to be an external director and neither the controlling party or his relative, the chairman of the Board of Directors, any director employed by the company or by its controlling party or by an entity controlled by the controlling party, any director who regularly provides services to the company, to its controlling party or to an entity controlled by the controlling party, nor any director who derives most of its income from the controlling party, may be eligible to serve as a member of the audit committee. The responsibilities of our audit committee under the Companies Law include, inter alia, identifying irregularities in the management of the company's business and approving related party transactions as required by law, determining whether certain related party actions and transactions are "material" or "extraordinary" in connection with their approval procedures, assessing the scope of work and compensation of the company's independent accountant, assessing the company's internal audit system and the performance of its internal auditor and making arrangements regarding the handling of complaints by employees about company's business management deficiencies and regarding the protection given to employees who have made complaints.

Balance Sheet Committee

HOT's Balance Sheet Committee is comprised of Mr. Sapir, chairperson, Ms. Shavit and Mr. Tchetchik. Regulations promulgated under Israeli Companies Law require companies whose securities are publicly traded, such as HOT, to appoint a balance sheet committee comprised of at least three members, the majority of whom must be independent directors. The responsibilities of our balance sheet committee under the Companies Law include reviewing our financial statements and the estimates and assumptions used in their preparation, recommending the approval of the financial statements and reporting to the Board of Directors regarding any problem or defect found in such financial statements.

Compensation Committee

HOT's compensation committee is comprised of Mr.Sapir, chairperson, Ms. Shavit and Mr. Tchetchik. The Israeli Companies Law requires companies whose securities are publicly traded, such as HOT, to appoint a compensation committee, comprised of at least three board members, including all of the company's external directors, who shall be the majority of the committee members, and each of the rest of its member shall be directors who's compensation was set accordingly to the regulations applies to external directors. The compensation committee is subject to the same Israeli Companies Law restrictions as the audit committee as to committee membership (as described under "Audit Committee" above). The responsibilities of our compensation committee under the Companies Law include:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than three (3) years (approval of either a new compensation policy or the continuation of an existing compensation policy at least every three years);

- recommending to the board periodic updates to the compensation policy and assessing implementation of the compensation policy;

- approving compensation arrangements with office holders of the company. An office holder is defined in the Israeli Companies Law as any director, general manager, chief business manager, deputy general manager, vice general manager, other manager directly subordinate to the general manager or any other person assuming the responsibilities of any of these position regardless of that person's title; and

- determining whether the compensation terms of the chief executive officer need not be brought to approval of the shareholders (under special circumstances).

HOT Minority Shareholder Agreements

In October 2010, Cool Holding entered into separate agreements with Yedioth Communications Ltd. ("Yedioth") and companies from the Fishman Group (collectively, "Fishman" and, together with Yedioth, the "HOT Minority Shareholders"), pursuant to which (i) Cool Holding acquired 4,565,493 shares of HOT from Fishman in March 2011 and 10,012,003 shares of HOT from Yedioth in November 2011 and (ii) Cool Holding agreed that, until the date that is three years from each such acquisition date, Cool Holding would not take any action which would cause HOT to become a private company or for its shares to be delisted from the Tel Aviv Stock Exchange, without receiving the consent of each Minority Shareholder (the "Take-Private Consent Right").

On November 5, 2012, in connection with the Take-Private Transaction, Cool Holding entered into separate agreements (each a "HOT Minority Shareholder Agreement") with the HOT Minority Shareholders, pursuant to which (i) Cool Holding agreed to acquire directly or through one of its subsidiaries from each of the HOT Minority Shareholders all of their respective shares in HOT, representing approximately 11% of the outstanding shares of HOT (the "Minority Shareholder Shares"), in consideration for a payment of NIS 41 per share, (ii) each of the HOT Minority Shareholders agreed to waive its Take-Private Consent Right and (iii) as additional consideration for the waiver of the Take-Private Consent Right, Cool Holding granted each Minority Shareholder the right to purchase the Minority Shareholder Shares from Cool Holding or one of its subsidiaries (the "HOT Minority Shareholder Call Option") at a price per share equal to NIS 48 (the "Call Consideration") during the 24-month period commencing on the first anniversary of the Take-Private Transaction. The HOT Minority Shareholder Call Option may be exercised by the relevant Minority Shareholder in up to three transactions, each of which shall cover at least 30% of the shares sold by such Minority Shareholder to Cool Holding or one of its subsidiaries in the Take-Private Transaction.

The HOT Minority Shareholder Agreements contain anti-dilution rights and consent rights with respect to changes in business prior to the exercise of the HOT Minority Shareholder Call Option and certain minority shareholder rights, which will become applicable if the HOT Minority Shareholder Call Option is exercised after the Take-Private Transaction, including tag along rights with respect to any sale of HOT shares by Cool Holding; preemptive rights with respect to issuance of HOT shares; restrictions on HOT's ability to effect transactions outside of the ordinary course of business (including a transaction resulting in the sale by HOT of a material asset); subject to certain exceptions, restrictions on entering into transactions with any shareholder, director or officer of HOT or any affiliate thereof; restrictions on the incurrence of any material indebtedness; and, subject to certain exceptions, the right to require HOT to re-register and list its shares on the Tel Aviv Stock Exchange. In addition, Cool Holding has certain drag-along rights with respect to the shares sold to the HOT Minority Shareholders upon the exercise of the HOT Minority Shareholder Call Option.

In the event of an enforcement over the shares of HOT or Cool Holding, the HOT Minority Shareholder Agreements and the rights and obligations thereunder will continue to apply.

PRINCIPAL SHAREHOLDER

Altice VII, the parent company of the Group, is a wholly-owned subsidiary of Next L.P. Next L.P. is controlled by Mr. Patrick Drahi.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

HOT Mobile Earnout

In connection with the acquisition by HOT of HOT Mobile from Altice Securities S.à r.l. ("Altice Securities"), a subsidiary of Altice and affiliate of HOT, HOT agreed to pay to the managers of HOT Mobile and an unrelated third party ("Migad", and, together with the managers of HOT Mobile and Altice Securities, the "Earnout Recipients") additional consideration, in an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile (the "Earnout"). The Earnout includes (i) a contingent future payment of NIS 225 million, paid in four equal installments of NIS 56.25 million, conditioned upon achievement of certain EBITDA targets by HOT Mobile for the years 2013 to 2016, inclusive, and (ii) a contingent future payment of NIS 225 million conditioned on achievement of 7% market share, as defined in the Cellular License, in the cellular market by 2016. There is a mechanism to reduce the payments required under the Earnout to the extent HOT Mobile is required to make payments to the Israeli Ministry of Communications pursuant to the Cellular License. As of March 31, 2013, we estimate that the fair value of the Earnout is NIS 344 million and Altice Securities has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to the Senior Notes Issuer (the assigned rights only include such payments that would actually have been received by Altice Securities). In June 2013, HOT paid NIS 90 million under the Earnout to the Earnout Recipients in accordance with the terms of the Earnout, out of which the Senior Notes Issuer received NIS 86.4 million.

Relationships with Numericable France

As members of the Numericable France group prior to the acquisition of Coditel Belgium and Coditel Luxembourg by Coditel Holding (the "Acquisition"), Coditel Belgium and Coditel Luxembourg relied on Numericable France and on Completel, which is an affiliate of Numericable France, for numerous operational functions. Following the Acquisition, Coditel continues to have the following operational arrangements with Numericable France and Completel.

Services Agreement

On June 30, 2011, the date of closing of the Acquisition, Coditel Holding entered into a services agreement (the "Services Agreement") with a subsidiary of Numericable France, Numericable SAS. Pursuant to the Services Agreement, Numericable France will continue to provide Coditel Holding with all the services it was providing to Coditel Holding prior to the Acquisition, including, mainly:

- VoD platform services and VoD content services;
- Television, IP and voice engineering services;
- Support and assistance in purchasing hardware and devices needed for Coditel Holding operations, and in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VoD content; Numericable France undertakes to use its reasonable efforts to ensure that Coditel Holding obtain the same key terms and conditions as Numericable France for these supplies, but also for IP traffic and voice, web and webmail and material reconditioning;
- Delivery of television channels' signal and existing data flows over Numericable France's backbone;
- Upgrade of the billing software; and
- Continued support of Coditel Holding systems currently located in Numericable France's premises or currently supported from its systems.

In consideration of the services provided, Coditel Holding will pay to Numericable France a total of €100,000 per year. €75,000 will be paid by Coditel Belgium and €25,000 by Coditel Luxembourg. In addition, Coditel Holding, Coditel Belgium and Coditel Luxembourg will pay to Numericable France 10% of their monthly VoD revenues.

The initial term of this agreement is six years and can thereafter be renewed for consecutive one-year periods, unless prior six months' prior written notice to the contrary by Coditel Holding or by Numericable France. In addition, Numericable France can terminate the Services Agreement by giving six months' prior written notice in the event that Coditel Holding, Coditel Belgium or Coditel Luxembourg is acquired by a competitor of Numericable France.

Trade Mark License Agreement

On June 30, 2011, Coditel Holding and Numericable SAS also entered into a trademark license agreement (the "Trade Mark Agreement"). Pursuant to the Trade Mark Agreement, Numericable France will provide a license to Coditel Holding to use the trademark "Numericable", registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, internet and telephone products and services. The license fee is included in the €100,000 annual fee under the Services Agreement. The Trade Mark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Services Agreement or upon expiry of the Services Agreement. Numericable France may immediately terminate the Trade Mark Agreement in the event that Coditel Holding, Coditel Belgium or Coditel Luxembourg is acquired by a competitor of Numericable France.

IP and voice international call termination

Coditel Holding also entered into an agreement with Completel for the termination of Coditel Holding's IP and voice traffic. This agreement is based on Completel's general terms and conditions, including pricing.

Shareholder Funding

Altice VII ALPECs

Altice VII has authorised the issuance in several tranches of up to 8,863,076,297 Asset Linked Preferred Equity Certificates (each an "ALPEC") with a nominal value of EUR 0.01 (one euro cent) each. The ALPECs have been issued and their terms were amended on 6 June 2013.

Each ALPEC accrues a yield daily equal to the interest, gains, forex and/or additional profits and proceeds accrued on any yield/interest bearing and/or convertible debt investment (together the "Business Unit Assets") of Altice VII whether directly or indirectly in any of its affiliates less a margin determined by OECD Guidelines on transfer pricing as confirmed by the Luxembourg tax authorities ("ALPEC Yield"). The ALPEC Yield is payable on each 12 month anniversary of 6 June 2013, upon a liquidation of Altice VII and upon a redemption of the ALPECs at the option of Altice VII (each an "ALPEC Payment Date") provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment. If the ALPEC Yield is not paid on any ALPEC Payment Date it shall be rolled up and paid on the next ALPEC Payment Date provided that the board of managers of Altice VII may declare an earlier payment date.

Each ALPEC must be redeemed on 6 June 2062 (the "ALPEC Maturity Date") or in the event of a liquidation of Altice VII and may be redeemed earlier than the ALPEC Maturity Date at the option of Altice VII, in each case, at a price equal to its nominal value together with all accrued and unpaid ALPEC Yield provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment.

The obligations of Altice VII to make payments in relation to the ALPECs are limited to the lower of (i) EUR 2,000,000 or (ii) 1 per cent. of the outstanding principal amount of the Business Unit Assets.

The ALPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of cash payments, acceleration rights and security interests.

Altice VII CPECs

Altice VII has authorised the issuance of 21,908,873,840 Convertible Preferred Equity Certificates (each a "CPEC") with a nominal value of EUR 0.01 (one euro cent) each. The CPECs have been issued and their terms were amended on 6 June 2013.

Each CPEC must be redeemed on 6 June 2062 at a price equal to its nominal value provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment. If permitted by the Intercreditor Agreement, Altice VII is entitled to repurchase each CPEC at a price equal to the greater of (i) its nominal value and (ii) the fair market value of one share in the capital of Altice VII.

In the event of a liquidation of Altice VII, if permitted by the Intercreditor Agreement, the holders of CPECs are entitled to be paid, before any distribution to holders of shares in Altice VII or any non-convertible yield free preferred equity certificates but after payment of the obligations of Altice to prior ranking creditors, the aggregate nominal value of their CPECs. If at the time of liquidation Altice VII does not have sufficient funds available to redeem the CPECs and settle its liabilities to all of its other creditors it will only be required to redeem the maximum possible number of CPECs.

Upon the occurrence of, on any date after the date that is six months following the maturity date of the New Senior Notes of the Senior Notes Issuer, a material breach by Altice VII of the terms and conditions of the CPECs which is not remedied within 20 business days of a notice from at least 75% of the holders of the CPECs, if permitted by the Intercreditor Agreement the holders of the CPECs are entitled to request the redemption of all or part of the CPECs at their nominal value. If at the time of such redemption request Altice VII does not have sufficient funds available to redeem the CPECs and settle its liabilities to all of its other creditors it will only be required to redeem the maximum possible number of CPECs.

The CPECs are convertible into shares of Altice VII at any time at the option of Altice VII at a ratio of 1 share for each CPEC. The CPECs are expressed to rank prior to any shares in Altice VII, *pari passu* with any convertible preferred equity certificates and after all other present and future obligations of Altice VII.

The CPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of cash payments, acceleration rights and security interests.

Altice VII YFPECs

Altice VII has authorised the issuance of 3,633,865,779 Yield Free Preferred Equity Certificates (each a “YFPEC”) with a nominal value of EUR 0.01 (one euro cent) each. The YFPECs have been issued and their terms were amended on 6 June 2013.

Each YFPEC must be redeemed on 6 June 2062 and may be redeemed at any time before such date at the option of Altice VII, in each case, at a price equal to its nominal value provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment.

In the event of a liquidation of Altice VII, if permitted by the Intercreditor Agreement, the holders of YFPECs are entitled to be paid, before any distribution to holders of shares in Altice VII or any convertible preferred equity certificates but after payment of the other obligations of Altice VII, and only to the extent that it has sufficient funds available after payment of its liabilities to all of its other creditors, the aggregate nominal value of their YFPECs.

Upon the occurrence of, on any date after the date that is six months following the maturity date of the New Senior Notes of the Senior Notes Issuer, a material breach by Altice VII of the terms and conditions of the YFPECs which is not remedied within 20 business days of a notice from at least 75% of the holders of the YFPECs, if permitted by the Intercreditor Agreement the holders of the YFPECs are entitled to request the redemption of all or part of the YFPECs at their nominal value, before any distribution to holders of shares in Altice VII or any convertible preferred equity certificates but after payment of the other obligations of Altice VII, and only to the extent that it has sufficient funds available after payment of its liabilities to all of its other creditors.

The YFPECs are expressed to rank prior to any shares in Altice VII or any convertible preferred equity certificates, *pari passu* with any yield free preferred equity certificates and after all other present and future obligations of Altice VII.

The YFPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of cash payments, acceleration rights and security interests.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of the Existing Senior Secured Notes, the Existing HOT Unsecured Notes, the Existing Revolving Credit Facility Agreement, the Intercreditor Agreement, the Pledged Proceeds Notes, the New Term Loan, the New Revolving Credit Facility, the New Guarantee Facility, the Existing Coditel Intercreditor Agreement, the Existing Coditel Senior Facilities Agreement, the Existing Coditel Mezzanine Facility Agreement and the New Proceeds Loan. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the Existing Indentures, the Existing HOT Unsecured Notes, the relevant Revolving Credit Facility Agreement, the New Guarantee Facility, the Intercreditor Agreement or the Pledged Proceeds Notes as applicable.

The Existing Notes

On December 12, 2012 and December 20, 2012, the Existing Senior Secured Notes Issuer issued $460 million aggregate principal amount of its $7^7/_8$% senior secured notes due 2019 (the "Dollar Senior Secured Notes") and €210 million aggregate principal amount of its 8% senior secured notes due 2019 (the "Euro Senior Secured Notes" and together with the Dollar Senior Secured Notes, the "Existing Senior Secured Notes"), and the Existing Senior Notes Issuer issued $425 million aggregate principal amount of its $9^7/_8$% senior notes due 2020 (the "Existing Senior Notes", and together with the Existing Senior Secured Notes, the "Existing Notes").

The Existing Senior Secured Notes

The Existing Senior Secured Notes mature on December 15, 2019. Interest on the Existing Senior Secured Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The Existing Senior Secured Notes are general obligations of the Existing Senior Secured Notes Issuer and (i) rank *pari passu* in right of payment with any future indebtedness of the Existing Senior Secured Notes Issuer that is not subordinated in right of payment to the Existing Senior Secured Notes, (ii) rank senior in right of payment to any future indebtedness of the Existing Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Existing Senior Secured Notes, and (iii) are effectively subordinated to any future indebtedness of the Existing Senior Secured Notes Issuer that is secured by property or assets that do not secure the Existing Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The Existing Senior Secured Notes are currently guaranteed on a senior basis (the "Existing Senior Secured Notes Guarantees") by Cool Holding and SPV1 (the "Existing Senior Secured Notes Guarantors"). Each Existing Senior Secured Notes Guarantee is a general obligation of the relevant Existing Senior Secured Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant Existing Senior Secured Notes Guarantor that is not subordinated in right of payment to such Existing Senior Secured Notes Guarantor's Existing Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant Existing Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such Existing Senior Secured Notes Guarantor's Existing Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant Existing Senior Secured Notes Guarantor that is secured by property or assets that do not secure such Existing Senior Secured Notes Guarantor's Existing Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the Existing Senior Secured Notes. The Existing Senior Secured Notes Guarantees are subject to the terms of the Intercreditor Agreement. The Existing Senior Secured Notes Guarantees are subject to release under certain circumstances. Following the Transactions, the Existing Senior Secured Notes will benefit from the Senior Secured Guarantees provided by the Senior Secured Guarantors. See "*Summary Corporate and Financing Structure*".

The Existing Senior Secured Notes are currently secured on a first-ranking basis by (i) share pledges over all of the share capital of the Existing Senior Secured Notes Issuer and the Existing Senior Secured Notes Guarantors, (ii) a pledge over the bank accounts and all receivables of the Existing Senior Secured Notes Issuer, including the Pledged Proceeds Notes (excluding the Cabovisao Proceeds Notes), (iii) a pledge over all of the assets of each of the Existing Senior Secured Notes Guarantors, including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the Existing Senior Notes Proceeds Loan, and (v) a pledge over the Cool Shareholder Loan. Following the Transactions, the Existing Senior Secured Notes will benefit from the Senior Secured Collateral. See "*Summary Corporate and Financing Structure*".

Prior to December 15, 2015, the Existing Senior Secured Notes Issuer may redeem all or a portion of the Existing Senior Secured Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. The Existing Senior Secured Notes Issuer may redeem some or all of the Existing Senior Secured Notes at any time on or after December 15, 2015, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to December 15, 2015, the Existing Senior Secured Notes Issuer may redeem up to 40% of the aggregate principal amount of each series of the Existing Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 107.875% of the principal amount of the Dollar Senior Secured Notes and 108.000% of the principal amount of the Euro Senior Secured Notes plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the Existing Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Upon certain Minority Shareholder Option Exercises (as defined in the Existing Senior Secured Notes Indenture), the Existing Senior Secured Notes Issuer must offer to repurchase the Existing Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Option Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, the Existing Senior Notes Issuer must offer to repurchase the Existing Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, the Existing Senior Secured Notes Issuer may redeem all of the Existing Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the Existing Senior Secured Notes Indenture) and their respective subsidiaries sell certain of their assets, or if the Existing Senior Secured Notes Issuer or the Covenant Parties experience specific kinds of changes in control, the Existing Senior Secured Notes Issuer may be required to make an offer to repurchase the Existing Senior Notes.

The Existing Senior Secured Notes Indenture, among other things, limits the ability of the Existing Senior Secured Notes Issuer, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based Consolidated Leverage Ratio test (as defined in the Existing Senior Secured Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The Existing Senior Secured Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The Existing Senior Secured Notes Indenture, the Existing Senior Secured Notes and the Existing Senior Secured Notes Guarantees are governed by the laws of the State of New York.

The Senior Notes

The Existing Senior Notes mature on December 15, 2020. Interest on the Existing Senior Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The Existing Senior Notes are general obligations of the Existing Senior Notes Issuer and (i) rank *pari passu* in right of payment with any future indebtedness of the Existing Senior Notes Issuer that is not subordinated in right of payment to the Existing Senior Notes, (ii) rank senior in right of payment to any future indebtedness of the Existing Senior Notes Issuer that is expressly subordinated in right of payment to the Existing Senior Notes, and (iii) are effectively subordinated to any future indebtedness of the Existing Senior Notes Issuer that is secured by property or assets that do not secure the Existing Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The Existing Senior Notes are currently guaranteed on a senior subordinated basis (the "Existing Senior Notes Guarantees") by Cool Holding, SPV1 and the Existing Senior Secured Notes Issuer (the "Existing Senior Notes Guarantors"). Each Existing Senior Notes Guarantee is a general obligation of the relevant Existing Senior Secured Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the relevant Existing Senior Notes Guarantor that is not subordinated in right of payment to such Existing Senior Notes Guarantor's Existing Senior Notes Guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the relevant Existing Senior Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the relevant Existing Senior Notes Guarantor that is expressly subordinated in right of payment to such Existing Senior Notes Guarantor's Existing Senior Notes Guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the relevant Existing Senior Notes Guarantor that is secured by property or assets that do not secure such Existing Senior Notes Guarantor's Existing Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the Existing Senior Notes. The Existing Senior Notes Guarantees are subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. The Existing Senior Notes Guarantees are subject to release under certain circumstances. Following the Transactions, the Existing Senior Notes will benefit from the Senior Notes Guarantees provided by the Senior Notes Guarantors. See "*Summary Corporate and Financing Structure*".

The Existing Senior Notes are currently secured by (i) a first-ranking share pledge over all of the share capital of the Existing Senior Notes Issuer, (ii) second-ranking share pledges over all of the share capital of the Existing Senior Secured Notes Issuer and Cool Holding, (iii) a second-ranking pledge over the Cool Shareholder Loan, and (iv) a second-ranking pledge over the Existing Senior Notes Proceeds Loan. Following the Transactions, the Existing Senior Notes will benefit from the Senior Notes Collateral. See "*Summary Corporate and Financing Structure*".

Prior to December 15, 2016, the Existing Senior Notes Issuer may redeem all or a portion of the Existing Senior Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. The Existing Senior Notes Issuer may redeem some or all of the Existing Senior Notes at any time on or after December 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to December 15, 2015, the Existing Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the Existing Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.875% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the Existing Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, the Existing Senior Notes Issuer may redeem all of the Existing Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the Existing Senior Notes Indenture) and their respective subsidiaries sell certain of their assets, or if the Existing Senior Notes Issuer or the Covenant Parties experience specific kinds of changes in control, the Existing Senior Notes Issuer may be required to make an offer to repurchase the Existing Senior Notes.

The Existing Senior Notes Indenture, among other things, limits the ability of the Existing Senior Notes Issuer, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based Consolidated Leverage Ratio test (as defined in the Existing Senior Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The Existing Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The Existing Senior Notes Indenture, the Existing Senior Notes and the Existing Senior Notes Guarantees are governed by the laws of the State of New York.

The New Term Loan

Overview

The New Term Loan consists of a senior secured term loan credit facility (the "New Term Loan Facility") which is expected to provide euro and for U.S. dollar term loans in an aggregate principal amount equivalent to €795 million, entered into among the Existing Senior Secured Notes Issuer, as borrower, certain lenders party thereto, Goldman Sachs International, Morgan Stanley Senior Funding, Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch and Deutsche Bank Securities Inc., as joint lead arrangers and bookrunners, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as security agent (the "New Term Loan Agreement"). The New Term Loan Facility permits the borrower, upon prior notice to the lenders thereunder, to draw term loans up to the committed principal amount on up to four occasions until November 30, 2013. Availability of the Term Loan Facility at each drawing is subject to specified conditions precedent. Proceeds of the term loans, together with the other sources of funds described under "Use of Proceeds," will be used to finance a portion of the Transactions and related fees and expenses and, in an amount up to €85 million, for general corporate purposes.

The Existing Senior Secured Notes Issuer may draw under the New Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, so long as the incurrence of the indebtedness would have been permitted by the covenants in the New Indenture, the Existing Indentures, the Existing Revolving Credit Facility, the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan (on a pro forma basis) and provided that the first draw, which must occur by July 15, 2013, must be €500 million if the Outremer Transaction is to be completed at the time of the draw or €500 million less the amount necessary for the Outremer Transaction if the Outremer Transaction is not completed at that time.

Interest Rate and Fees

Borrowings under the New Term Loan Facility bear interest at a rate per annum equal to an applicable margin plus (i) in the case of U.S. dollar-denominated loans, at our option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds rate plus 0.50%, (2) the prime rate quoted in the print edition of The Wall Street Journal, Money Rates Section as the prime pate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of an amount to be determined or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such LIBOR rate shall not be lower than an amount to be determined and (ii) in the case of euro-denominated loans, a EURIBOR rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such EURIBOR rate shall not be lower than an amount to be determined.

The applicable margin is to be determined.

In addition to paying interest on outstanding principal under the New Term Loan Facility, we are required to pay a commitment fee to the lenders in respect of the unutilized commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

Mandatory Prepayments

The New Term Loan Agreement requires us to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions; (ii) commencing with the fiscal year ended December 31, 2014, 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Leverage Ratio is less than 4.0:1.0; and (iii) 100% of the net cash proceeds in excess of a specified threshold amount of certain HOT Minority Shareholder Option Exercises (as defined in the New Term Loan Agreement) at, in the case of such HOT Minority Shareholder Option Exercise prepayments, a price for such term loans prepaid equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any.

Voluntary Prepayments

Prepayments of the New Term Loan Facility on or prior to the first anniversary of the completion date are subject to a make-whole provision and a call premium of 1.0%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the New Term Loan Facility after the first anniversary of the completion date but on or prior to the second anniversary of the completion date, are subject to a call premium of 1.00%. Otherwise, we are able to voluntarily prepay outstanding loans under the New Term Loan Facility at any time subject to customary "breakage" costs with respect to LIBOR and EURIBOR loans.

Amortization and Final Maturity

Beginning with the quarter ending March 31, 2014, we will be required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the New Term Loan Facility, with the balance expected to be due on the seventh anniversary of the completion date.

Guarantees

Each Guarantor of the Existing Senior Secured Notes guarantees, on a senior basis, the obligations of each other obligor under the New Term Loan Agreement and related finance documents.

Security

The Term Loan Facility is secured by the same collateral securing, inter alia, the Existing Senior Secured Notes.

Certain Covenants and Events of Default

The New Term Loan Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence-based Consolidated Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations.

The New Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the New Term Loan Facility will be entitled to take various actions, including the acceleration of amounts due under our new senior secured credit facilities and all actions permitted to be taken by a secured creditor, subject to the Intercreditor Agreement.

The Coditel Senior Facilities Agreement

The Facility

The Existing Coditel Senior Facilities Agreement consists of an aggregate of €150 million of senior facilities and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding S.A. as the company and the original borrower, ING Bank N.V. as agent and security agent. It provides two term loan facilities consisting of a € 50 million facility A and a €90 million facility B which were each drawn for the purpose of partially funding the refinancing of existing facilities of Coditel Holding S.A. (the "Refinancing"). It also provides a €10 million revolving facility which is available for drawing up to the date falling one month before the date that falls on the sixth anniversary of the Refinancing and may be used for the purposes of permitted acquisitions and capital expenditure and general corporate or working capital purposes of Coditel Holding Lux S.à r.l. and each of its subsidiaries (the "Coditel Group"). The final maturity date of facility A and the revolving facility is the sixth anniversary of the Refinancing and the final maturity date for facility B is the seventh anniversary of the Refinancing. The loans under each facility must be repaid in full on the final maturity date for the relevant facility. Various amortization payments are required throughout the life of facility A. The senior facilities benefit from guarantees and security provided by certain members of the Coditel Group.

Conditions to Revolving Facility Borrowings

Drawdowns under the revolving facility are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties being true in all material respects.

Interest Rates

The interest rate on each loan for each interest period is equal to the aggregate of: (x) the applicable margin; (y) LIBOR or EURIBOR (as applicable); and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements). The initial margin for (i) facility A is 4.75% per cent. per annum, (ii) facility B is 5.25% per cent. per annum and (iii) the revolving facility is 4.75% per cent. per annum. If no Event of Default is continuing the margins are adjusted downwards in accordance with a ratchet that commences if the leverage ratio of the Coditel Group falls below 5.0:1.

Mandatory Prepayment

Upon the occurrence of a change of control of Coditel Holding Lux s.à.r.l., the sale of all or substantially all of the assets or business of the Coditel Group or an initial public offering of any member of the Coditel Group (or its holding company), the facilities will become immediately due and payable. Certain proceeds received by any member of the Coditel Group arising from an initial public offering of any member of the Coditel Group (or its holding company) at a time when the leverage ratio for the Coditel Group is greater than 2.50:1, the disposal of assets, claims under certain acquisition documents and reports, and insurance claims are required to be prepaid upon receipt. If the leverage ratio for the Coditel Group as shown in the audited consolidated financial statements of the Coditel Group delivered for a financial year is greater than 2.50:1, an amount of excess cashflow is required to be prepaid within 15 business days of delivery of the audited consolidated financial statements of the Coditel Group.

Covenants

The Existing Coditel Senior Facilities Agreement requires certain members of the Coditel Group to observe certain restrictive and affirmative operating covenants. Notably, the Existing Coditel Senior Facilities Agreement restricts the Coditel Group from making dividend payments and distributions save for "Permitted Distributions", "Permitted Payments" and "Permitted Transactions". A "Permitted Distribution" includes the payment of a dividend or distribution by the Company to the Parent solely for the purpose of facilitating a Permitted Payment. "Permitted Payments" include: (i) redeeming or purchasing any of the Parent's ordinary or preference share capital issued to management (provided aggregate investment remains less than 5% of the total share capital), (ii) payment of certain holding company operating costs and expenses up to €250,000 in any financial year, and (iii) the payment of advisory management and monitoring fees of the sponsors in any financial year of not more than €250,000 if leverage ratio is greater than 5.00x, ultimately stepping up to €2,000,000 if leverage ratio is less than or equal to 3.00x. With regards "Permitted Transactions", this includes payments or other transactions expressly identified by the structure memorandum for the Refinancing.

Financial covenants

The Coditel Group's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios that vary over time including a cashflow cover ratio, a net interest cover ratio, a leverage ratio and a senior leverage ratio and to observe limitations on capital expenditure.

Events of Default

There are certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate the loans together with other accrued amounts and/or (iii) declare that all or part of the loans be payable on demand.

Representations, Warranties and Undertakings

There are certain representations, warranties and undertakings customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

The facility is secured by: (i) share pledges over the shares of Coditel, Coditel Brabant SPRL and Coditel S.à r.l.; (ii) pledges over the bank accounts of Coditel Holding Lux S.à r.l., Coditel, Coditel, Coditel S.à r.l. and Coditel Brabant SPRL; (iii) pledges over the intercompany receivables under the Acquisition Documents (as defined in the Existing Coditel Senior Facilities Agreement), of Coditel Brabant SPRL and any other debtor to which Coditel is a creditor and against Coditel S.à r.l.; and (iv) a pledge by Coditel S.à r.l. over trade receivables, insurance policies and intra-group loans and other receivables.

Coditel Refinancing

In connection with the Transactions, Altice Holdings, or a special purpose vehicle incorporated for such purpose, will offer to purchase substantially all of the remaining interests of the existing lenders under the Existing Coditel Senior Facility with a portion of the AH Proceeds Loan (the "Coditel Refinancing"). The Coditel Refinancing is expected to occur on the Escrow Release Date.

The Existing Coditel Mezzanine Facility Agreement

The Facility

The Existing Coditel Mezzanine Facility Agreement consists of a €100 million mezzanine facility and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding S.A. as the company and the borrower, Wilmington Trust (London) Limited as agent and ING Bank N.V. as security agent. A loan was advanced under the mezzanine facility for the purpose of partially funding the Refinancing. The loan must be repaid on the date falling 90 months after the date on which the Refinancing occurred. The mezzanine facility benefits from guarantees and security provided by certain members of the Coditel Group.

Interest Rates and Prepayment Fees

Cash pay interest accruing at a rate of 8.50 per cent. per annum is payable on the loan at the end of each interest period and PIK interest accruing at a rate of 5.25 per cent. per annum is capitalized to the principal amount of the loan semi-annually. A prepayment fee is payable if the loan is prepaid (i) prior to the fifth anniversary of the refinancing as a result of a voluntary prepayment or a mandatory prepayment triggered by a disposal of certain assets of the Coditel Group in an amount determined by reference to a ratchet or (ii) at any time as a result of a mandatory prepayment arising from a change of control in an amount equal to one per cent. of the principal amount of the loan prepaid. Coditel has the right to prepay the facility for a prepayment fee of 106.875% which is payable if the loan is prepaid after the third anniversary of the refinancing but prior to the fourth anniversary of the refinancing. A prepayment fee of 103.4375% is payable on if the loan is prepaid after the fourth anniversary of the refinancing but prior to the fifth anniversary of the refinancing.

Mandatory Prepayment

Upon the occurrence of the sale of all or substantially all of the assets or business of the Coditel Group, the loan and all amounts accrued under the mezzanine facility will become immediately due and payable. Upon the occurrence of a change of control, each lender is entitled to require that its share of the loan together with all other amounts accrued to that lender and a prepayment fee are paid to that lender. Certain proceeds received by any member of the Coditel Group arising from the disposal of assets are required to be prepaid upon receipt and certain proceeds received by any member of the Coditel Group from claims under certain acquisition documents and reports and insurance claims are required to be prepaid on and from the fifth anniversary of the Refinancing.

Covenants

The Existing Coditel Mezzanine Facility Agreement requires certain members of the Coditel Group to observe certain restrictive and affirmative operating covenants, including restrictions on certain dividends and distributions, and on terms substantially similar to those in the Existing Coditel Senior Facilities Agreement.

Financial covenants

The Coditel Group's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cashflow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. The leverage ratio is currently 5.64:1 and will fall to 2.60:1 at the termination date.

Events of Default

There are certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate the loans together with other accrued amounts and/or (iii) declare that all or part of the loans be payable on demand.

Representations, Warranties and Undertakings

There are certain representations, warranties and undertakings customary for a facility of this type subject to certain exceptions and customary materiality qualifications.

The Existing Coditel Intercreditor Agreement

The Existing Coditel Intecreditor Agreement regulates the respective rights and ranking in relation to liabilities owed by members of the Coditel Group to (i) lenders under the Existing Coditel Senior Facilities Agreement, (ii) lenders under the Existing Coditel Mezzanine Facility Agreement, (iii) certain hedge counterparties ((i), (ii), and (iii), together the "Primary Creditors"), (iv) intra-group lenders and (v) shareholder creditors.

Ranking

The liabilities owed by members of the Coditel Group to the lenders under the Existing Coditel Senior Facilities Agreement rank pari passu in right and priority of payment with the hedging liabilities owed by members of the Coditel Group under certain hedging agreements (the "Senior Liabilities"). The Senior Liabilities rank ahead in right and priority of payment of the liabilities owed by members of the Coditel Group to the lenders under the Existing Coditel Mezzanine Facility Agreement (the "Mezzanine Liabilities").

Transaction Security

The transaction security entered into by members of the Coditel Group ranks and secures the Senior Liabilities pari passu and ahead of the Mezzanine Liabilities.

Subordinated and Intra-Group Liabilities

The liabilities owed by members of the Coditel Group to any shareholder creditor, Coditel Holding Lux S.à r.l. or any other member of the Coditel Group are postponed and subordinated to the liabilities owed by members of the Coditel Group to the Primary Creditors.

The Revolving Credit Facility Agreements and the New Guarantee Facility

The Revolving Credit Facility Agreements are comprised of: (1) an $80 million super senior secured revolving credit facility (the "Existing Revolving Credit Facility") agreement entered into on November 27, 2012, (and amended and restated on December 12, 2012) between, among others, the Existing Senior Secured Notes Issuer, as borrower and guarantor, certain lenders party thereto, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, ING Bank N.V., J.P. Morgan Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent (the "Existing Revolving Credit Facility Agreement"), and (2) a EUR50 million super senior secured revolving credit facility (the "New Revolving Credit Facility", together with the Existing Revolving Credit Facility, the "Revolving Credit Facilities") agreement entered into on June 17, 2013, between, among others, the Existing Senior Secured Notes Issuer, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch and Deutsche Bank AG, London Branch as mandated lead arrangers, Citibank International Plc as Facility Agent and Citibank, N.A., London Branch as security agent (the "New Revolving Credit Facility Agreement" and together with the Existing Revolving Credit Facility Agreement, the "Revolving Credit Facility Agreements"). Each Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the "borrower" or "borrowers" under this section refer to the Existing Senior Secured Notes Issuer and any additional borrowers who accede to the Revolving Credit Facility Agreements in that capacity.

Structure of the Revolving Credit Facility Agreements

The final maturity date of the Existing Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after the 2012 Transaction Completion Date and (ii) the date on which the Existing Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the New Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after the Escrow Release Date and (ii) the date on which the New Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Revolving Credit Facility Agreements for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by the Existing Senior Secured Notes Issuer and the relevant lenders), but no such period shall end beyond the final maturity date of the relevant Revolving Credit Facility Agreement. Drawdowns under the Revolving Credit Facility Agreements must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll-over loans).

Limitations on Use of Funds

The Revolving Credit Facilities and the New Guarantee Facility (defined below) may be used by the borrowers for general corporate and working capital purposes of the Group (other than the Senior Notes Issuer, the "RCF Group"), including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group.

The commitments under the New Revolving Credit Facility may be increased by up to an additional maximum amount of $80 million EUR equivalent, provided that an amount equal to any such increase is simultaneously cancelled under the Existing Revolving Credit Facility.

The New Guarantee Facility

A new guarantee facility agreement for an amount of up to EUR75 million will be entered into on or before the Issue Date between, among others, the Existing Senior Secured Notes Issuer, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch and Deutsche Bank AG, London Branch as mandated lead arrangers, Citibank International Plc as Facility Agent and Citibank, N.A., London Branch as security agent (the "New Guarantee Facility"). The New Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the RCF Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group. The creditors under the New Guarantee Facility will be Senior Bank Creditors and not Super Priority Creditors, each as defined in the Intercreditor Agreement.

Structure of the New Guarantee Facility

The final maturity date of the New Guarantee Facility is the earlier of (i) the date falling five years after the Escrow Release Date and (ii) the date on which the New Guarantee Facility has been repaid and cancelled in full.

Conditions to Borrowings

Drawdowns under the Revolving Credit Facility Agreements and the New Guarantee Facility are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Revolving Credit Facility Agreements, and the New Guarantee Facility, as applicable, being true in all material respects.

Interest Rates and Fees

The interest rate on each loan under the Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) LIBOR, in respect of the Existing Revolving Credit Facility Agreement, and EURIBOR, in respect of the New Revolving Credit Facility Agreement; and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements).

The initial margin under the Existing Revolving Credit Facility Agreement was 4.25 per cent. per annum but if: (i) no event of default has occurred and is continuing under the Existing Revolving Credit Facility Agreement; (ii) at least twelve months have elapsed since the 2012 Transaction Completion Date, then the margin will be adjusted depending on the Consolidated Leverage Ratio (as defined in the Existing Credit Facility Agreement) of the RCF Group so that: (a) if the Consolidated Leverage Ratio is greater than or equal to 3.0:1, the applicable margin under the Existing Revolving Credit Facility Agreement will be 4.25 per cent per annum; (b) if the Consolidated Leverage Ratio is less than 3.0:1 but greater than or equal to 2.0:1, the applicable margin Existing Revolving Credit Facility Agreement will be 3.75 per cent per annum; and (c) if the Consolidated Leverage Ratio is less than 2.0:1, the applicable margin Existing Revolving Credit Facility Agreement will be 3.25 per cent per annum. The margin under the New Revolving Credit Facility Agreement is 3.50 per cent per annum. The margin under the New Guarantee Facility is 3.50 per cent per annum.

Interest under the Revolving Credit Facility Agreements accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period) and is calculated on the basis of a 360-day year. With respect to any available but undrawn amounts under the Revolving Credit Facility Agreements, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40 per cent. of the margin calculated on undrawn and uncancelled commitments from the date falling 30 days after the date of the relevant Revolving Credit Facility Agreement until one month prior the final maturity date of the relevant Revolving Credit Facility Agreement. A guarantee fee is payable to the relevant issuing bank issuing guarantees under the New Guarantee Facility in an amount equal to 0.125 per cent of the face value of the relevant guarantee. Each guarantee issued under the New Guarantee Facility carries a guarantee fee equal to 3.50 per cent.

Guarantees

Each Guarantor of the Existing Senior Secured Notes guarantees, on a senior basis, the obligations of each other obligor under the Revolving Credit Facility Agreements and related finance documents.

Security

The Revolving Credit Facilities and the New Guarantee Facility are secured by the same collateral securing, inter alia, the Existing Senior Secured Notes.

Mandatory Prepayment

For so long as an event of default has occurred and is continuing under the Revolving Credit Facility Agreements, proceeds otherwise required to be applied in prepayment of the Existing Senior Secured Notes shall instead be applied in cancellation and prepayment of the Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in each of the Revolving Credit Facility Agreements and the New Guarantee Facility, as applicable), the borrowers must repay the Revolving Credit Facilities and the New Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Revolving Credit Facilities and the New Guarantee Facility will be cancelled.

If an amount in excess of 50 per cent. of the Existing Senior Secured Notes (and, in respect of the New Revolving Credit Facility, an amount in excess of 50 per cent of the Existing Senior Secured Notes all utilisations outstanding under and the New Term Loan as at the date of the New Revolving Credit Facility) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the RCF Group, the relevant borrowers must apply an amount equal to such excess in cancellation of the Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the RCF Group from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Revolving Credit Facilities.

Financial Covenants, Events of Default

The Existing Revolving Credit Facility Agreement requires the RCF Group to maintain a Consolidated Leverage Ratio, calculated on a net basis (as defined in the Existing Revolving Credit Facility Agreement) tested as of the end of each fiscal quarter of no more than (i) 4.5:1 for the first year following the 2012 Transaction Completion Date and (ii) 4:1 thereafter.

Each of the New Revolving Credit Facility Agreement and the New Guarantee Facility requires the RCF Group to maintain a Consolidated Leverage Ratio (as defined in each of the New Revolving Credit Facility Agreement and the New Guarantee Facility), tested as of the end of each fiscal quarter of no more than (i) 4.5:1 for the first year following the Escrow Release Date and (ii) 4:1 thereafter.

The Revolving Credit Facility Agreements and the New Guarantee Facility contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement described below, the proceeds of any enforcement of collateral will be applied towards repayment of the Revolving Credit Facilities and certain hedging obligations prior to repayment of the Notes and the New Guarantee Facility.

Representations and Warranties

The Revolving Credit Facility Agreements and the New Guarantee Facility Agreement contain certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Revolving Credit Facility Agreements and the New Guarantee Facility contain certain restrictive covenants which substantially reflect the covenants contained in the Existing Senior Secured Notes and the New Term Loan.

The Revolving Credit Facility Agreements and the New Guarantee Facility also require the RCF Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) pari passu ranking of all payment obligations under the relevant Revolving Credit Facility Agreements or the New Guarantee Facility, as appropriate, and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Trustee (as defined in the Revolving Credit Facility Agreements and the New Guarantee Facility, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected defaults; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the share pledges; (xii) an entity not moving its center of main interest from its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by Altice VII, Cool Holding, SPV1 and the Existing Senior Secured Notes Issuer; and (xiv) restricting the making of proceeds drawn under the Revolving Credit Facility Agreements available to any sanctioned person or sanctioned country.

The Existing HOT Unsecured Notes

On February 27, 2011, HOT entered into a trust deed between HOT and Ziv Haft Trust Co. Ltd (the "Existing HOT Unsecured Notes Trustee") with respect to the Existing HOT Unsecured Notes, which were issued on March 30, 2011 in two series: (i) in a nominal value equal to NIS 825 million or €177 million (based on the exchange rate as of March 31, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series A HOT Notes") and (ii) in a nominal value equal to NIS 675 million or €145 million (based on the exchange rate as of March 31, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series B HOT Notes") . The Existing Series A HOT Notes are linked to the Consumer Price Index in Israel ("CPI") and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As of March 31, 2013, the CPI-linked principal amount of Existing Series A HOT Notes outstanding was NIS 780 million or €167 million (based on the exchange rate as of March 31, 2013) and the principal amount of the Existing Series B HOT Notes outstanding was NIS 619 million or € 133 million (based on the exchange rate as of March 31, 2013).

The Existing Series A HOT Notes and the Existing Series B HOT Notes mature on September 30, 2018. The amortization schedule for each of the Existing Series A HOT Notes is as follows: 8.3% in 2013; 8.3% in 2014; 8.3% in 2015; 8.3% in 2016; 8.3% in 2017 and 54.2% in 2018. Based on the CPI as of December 31, 2012 of 105.7, we estimate the amortization schedule, which includes estimated future increases in CPI of three points per year, under the Existing Series A HOT Notes is approximately: NIS 71 million in 2013, NIS 71 million in 2014, NIS 71 million in 2015, NIS 71 million in 2016, NIS 71 million in 2017 and NIS 461 million in 2018. The amortization schedule for the Existing Series B Notes is as follows approximately: NIS 56 million in 2013, NIS 56 million in 2014, NIS 56 million in 2015, NIS 56 million in 2016, NIS 56 million in 2017 and NIS 366 million in 2018.

The Existing Series A HOT Notes bear interest at a rate of 3.9% per annum, payable semi-annually. The Existing Series B HOT Notes bear interest at a rate of 6.9% per annum, payable semi-annually.

The Existing HOT Unsecured Notes contain certain financial covenants, which require maintenance of a maximum Net Debt to EBITDA ratio of 6.0 and maintenance of minimum equity equal to NIS 300 million. Further, in order for HOT to be able to distribute dividends, the maximum Net Debt to EBITDA ratio is 5.5. In addition, the Existing HOT Unsecured Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration of other HOT indebtedness of NIS 300 million or more in the aggregate, grants the holders the right to call for immediate payment of the Existing HOT Unsecured Notes.

The Existing HOT Unsecured Notes are senior obligations that rank equally with all of its existing and future senior debt and are senior to all of its existing and future subordinated debt. The Existing HOT Unsecured Notes are not secured by any assets of HOT or its subsidiaries.

The Existing HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Existing HOT Unsecured Notes will be:

a. effectively subordinated to the HOT Refinancing Notes and the guarantees thereof granted by the HOT Refinancing Note Guarantors to the extent of the lesser of (x) the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantees thereof and (y) the amount owing under the HOT Refinancing Notes;

b. *pari passu* with the HOT Refinancing Notes to the extent the amount of the HOT Refinancing Notes exceeds the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes; and

c. structurally senior to the Existing Notes and the guarantees of the Existing Notes granted by the Existing Guarantors.

The Existing HOT Unsecured Notes will not be subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool Holding or HOT pursuant to the Intercreditor Agreement, the debt claims of the holders of the Existing HOT Unsecured Notes are not required to be released or otherwise transferred.

The Intercreditor Agreement

To establish the relative rights of certain of our creditors, the obligors under the Existing Notes, the Revolving Credit Facility Agreements, the New Guarantee Facility, the New Term Loan and certain counterparties to hedging obligations relating to the foregoing, have entered into an intercreditor agreement (the "Intercreditor Agreement") with:

- the creditors of the Revolving Credit Facilities (the "RCF Creditors");
- any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements in accordance with the terms of the Intercreditor Agreement (the "Hedging Agreements" and any person that accedes to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "Hedging Banks" and, together with the RCF Creditors, the "Super Priority Creditors");
- any persons that accede to the Intercreditor Agreement under any future term facility (including the New Term Loan) or revolving bank facility (including the New Guarantee Facility but excluding the Revolving Credit Facilities) designated a senior bank facility (the "Senior Bank Facility") in accordance with the terms of the Intercreditor Agreement (the "Senior Bank Creditors");
- the trustee for the Existing Senior Secured Notes (the "Senior Secured Notes Trustee") on its behalf and on behalf of the holders of the Existing Senior Secured Notes (the "Senior Secured Notes Creditors" and, together with any Senior Bank Creditors, the "Senior Creditors" and, together with the Super Priority Creditors, the "Senior Secured Creditors");
- any persons that accede to the Intercreditor Agreement as trustee for the Senior Subordinated Notes (the "Senior Subordinated Notes Trustee" on its behalf and on behalf of the holders of the Senior Subordinated Notes (the "Senior Subordinated Notes Creditors" or the "Senior Subordinated Creditors");
- certain intra-group creditors (the "Intercompany Creditors")
- certain members of the group who are or become structural creditors in respect of certain intra-group liabilities (the "Structural Creditors");
- certain investors (the "Shareholders", together with Intercompany Creditors, the "Subordinated Creditors");
- Citibank, N.A., London Branch, as security agent for the Senior Secured Creditors (the "Security Agent");
- Citibank International plc, as facility agent or any other administrative agent or replacement agent; and
- Citibank, N.A., London Branch as security agent for the Structural Creditors (the "Structural Creditor Security Agent").

The Intercreditor Agreement provides that future indebtedness may be incurred by us and our subsidiaries subject to the terms of the Intercreditor Agreement and each finance document then existing. Future Super Priority Debt may, however, only be in the form of a revolving credit facility, which is a working capital facility or hedging indebtedness to the extent permitted (or not prohibited) by the terms of each finance document (including the indentures) or consented to by the appropriate parties. The aggregate commitment under all revolving credit facilities (including the Existing Revolving Credit Facilities) that are designated as Super Priority Debt cannot exceed the greater of $80 million or 4% of total assets at any time.

For the purposes of the Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent of debt within that class of debt (a "Representative") may act on the instructions of the majority of creditors of that class of debt (or, in the case of the Super Priority Debt or Senior Bank Debt (each as defined below), on the instructions of 662/3% of creditors of that class of debt) (a "Relevant Majority"). Hedging Banks will vote together with the Super Priority Creditors while any Super Priority Debt remains outstanding. In addition, in certain circumstances (as set out in the Intercreditor Agreement) certain classes of creditors will vote together as part of an instructing group (the "Instructing Group"), which is the Relevant Majority of (i) (if Senior Bank Debt has not been incurred or, if incurred, has been discharged and while any Senior Secured Notes Debt remains outstanding) the Senior Secured Notes Creditors, (ii) (while Senior Bank Debt (as defined below) remains outstanding) the Senior Creditors, and (iii) (if the Senior Secured Debt has been discharged and while the Senior Subordinated Notes Debt remains outstanding) the Senior Subordinated Creditors.

By accepting a Existing Senior Secured Note or a Senior Subordinated Note, as the case may be, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement that relate to the rights and obligations of the Senior Secured Notes Creditors and the Senior Subordinated Notes Creditor. It does not restate the Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt or capital expenditures.

Order of Priority

Ranking & Priority

The Intercreditor Agreement provides, subject to certain provisions, that the liabilities of each issuer, obligor or borrower subject to the Intercreditor Agreement (the "Obligors") (other than the issuer of the Senior Subordinated Notes) under or in respect of the Revolving Credit Facility Agreements (the "RCF Debt"), the Hedging Agreements (the "Hedging Debt" and, together with the RCF Debt, the "Super Priority Debt"), any Senior Bank Facilities, including the New Term Loan and the New Guarantee Facility (the "Senior Bank Debt"), the Existing Senior Secured Notes (the "Senior Secured Notes Debt" and, together with the Senior Bank Debt, the "Senior Debt"), the Senior Subordinated Notes (the "Senior Subordinated Notes Debt"), structural intra-group debt owed to the Structural Creditors (the "Structural Debt") and certain liabilities of members of the group owed to the Senior Notes Issuer (the "Holdco Debt") and certain other liabilities will rank in right and order of payment in the following order:

i. *first*, the RCF Debt, the Hedging Debt, the Senior Bank Debt, the Existing Senior Secured Notes Debt, the Structural Debt and future permitted senior or super priority debt, *pari passu* without any preference among them;

ii. *second*, the Senior Subordinated Notes Debt and future permitted senior subordinated debt, *pari passu* without any preference among them;

iii. *third*, the intercompany debt and the Holdco Debt, *pari passu,* without any preference among them; and

iv. *fourth*, the shareholder debt.

To the extent any liability is owed by the Senior Notes Issuer in respect of any debt, the debt will rank in right and order of payment:

i. *firstly*, the Senior Secured Debt (as defined below), *pari passu* without any preference among such debt; and

ii. *secondly*, the shareholder debt.

Priority of Security

The Intercreditor Agreement provides that the Security (other than any Security created pursuant to the pledge of the shares of the Senior Notes Issuer) provided by the Obligors (and any other parties) for the Super Priority Debt, the Senior Debt (together, the "Senior Secured Debt"), the Senior Subordinated Notes Debt (together with the Senior Secured Debt, the "Secured Debt") will rank in the following order:

i. *firstly*, the Senior Secured Debt (*pari passu* among such class of debt); and

ii. *secondly*, the Senior Subordinated Notes Debt.

Restrictions

Subject to certain limited exceptions and subject to, *inter alia*, the provisions set forth under the captions "*—Permitted Payments" and "—Restrictions on Enforcement*", while any Senior Secured Debt is outstanding, the Intercreditor Agreement restricts (to the extent not otherwise (i) prohibited by each of the Revolving Credit Facility Agreements, the indenture governing the Existing Senior Secured Notes (the "Senior Secured Notes Indenture") and the indenture governing the Senior Subordinated Notes (the "Senior Subordinated Notes Indenture") or (ii) consented to by the relevant Representative representing the Relevant Majority of (i) Super Priority Creditors while any Super Priority Debt is outstanding), (ii) Senior Bank Creditors (if any Super Priority Debt has been discharged and while any Senior Bank Debt is outstanding) and (only to the extent prohibited under the Senior Secured Notes Indenture) the Senior Secured Notes Creditors and/or (iii) (only to the extent prohibited under the Senior Secured Notes Indenture) the Senior

Secured Notes Creditors (if any Super Priority Debt or Senior Bank Debt has been discharged and while any Senior Secured Notes Debt remains outstanding):

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any debt owed to the Senior Subordinated Creditors and the intercompany creditors and shareholders (the "Subordinated Debt"), unless not prohibited by the Senior Secured Debt documents;

- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Notes Debt or the Holdco Debt, or otherwise to provide financial support in relation to such liabilities, except in respect of any Senior Subordinated Notes Debt in connection with any such payment or acquisition of any Senior Subordinated Notes Debt by the issuer in respect of the Senior Subordinated Debt (the "Senior Subordinated Notes Issuer"); and

- the ability of the Senior Subordinated Creditors to enforce the Senior Subordinated Notes Debt or the Holdco Debt and the security relating thereto, to demand or receive payments toward the discharge of any Senior Subordinated Notes Debt, any Holdco Debt or to apply money or property toward the discharge of any Senior Subordinated Notes Debt or any Holdco Debt.

In addition, the Intercreditor Agreement provides that the Security and guarantees relating to the Senior Secured Debt (and the Senior Subordinated Notes Debt) will be released in certain circumstances. See "*—Release of Security and Guarantees*". Moreover, certain proceeds received by the Senior Secured Creditors and the Senior Subordinated Creditors or the Subordinated Creditors (other than in connection with the Senior Subordinated Notes Debt of the Senior Subordinated Notes Issuer) must be turned over to the Security Agent pursuant to the Intercreditor Agreement for application in accordance with the Intercreditor Agreement. See "*—Turnover*".

The Intercreditor Agreement provides for certain additional restrictions on the form, provisions and terms of the documents evidencing the Structural Debt. No Structural Creditor and no member of the Group will be entitled to make material amendments to the documents evidencing the Structural Debt without the prior written consent of the relevant Representative representing the Super Priority Creditors, the Senior Bank Creditors and the Senior Secured Notes Creditors.

Limitation of Credit Support

Pursuant to the Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt. The Obligors are also prohibited from granting any security in favor of the Senior Subordinated Notes Debt or the Subordinated Debt except (in respect of the Senior Subordinated Notes Debt) for security that is permitted under the Senior Secured Notes Indenture and given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt, and other security agreed by the Relevant Majority of the Super Priority Creditors and the Relevant Majority of the Senior Bank Creditors and the Relevant Majority of the Senior Subordinated Notes Creditor or otherwise required by the relevant debt documents.

Permitted Payments

The Intercreditor Agreement permits Obligors to pay, *inter alia*:

1. while any Senior Secured Debt is outstanding, any amounts then due under the Senior Subordinated Notes Debt if:

   a. the payment is a Permitted Payment (as defined below) (or in lieu thereof, a payment of an amount to the issuer of Senior Subordinated Notes to enable it to make a corresponding Permitted Payment) or is not prohibited under the terms of any documents governing the Senior Secured Debt;

   b. on the date falling two days prior to the date of payment, no payment default is outstanding (or has been accelerated/placed on demand); and

   c. no Stop Notice (as defined below) is outstanding; or

   d. with the consent of each of:

      i. (while any of the Super Priority Debt is outstanding) the Representative representing the Relevant Majority of the Super Priority Creditors;

ii. (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of (A) the Senior Bank Creditors and (B) (only to the extent prohibited by the Senior Secured Notes Indenture) the Senior Secured Notes Creditors; and

iii. (if any Senior Bank Debt has been discharged and while the Senior Secured Notes Debt is outstanding) (only to the extent prohibited under the Senior Secured Notes Indenture) the Representative representing Relevant Majority of the Senior Secured Notes Creditors;

2. while any Senior Subordinated Debt is outstanding, any amounts under the intercompany debt and the shareholder debt if:

a. except in relation to an intercompany debt to an Obligor, the amount is due and payable under the terms of the intercompany debt documents;

b. the payment is not prohibited under the terms of any documents governing the Senior Secured Debt and/or the Senior Subordinated Notes Debt; and

c. in relation to an intercompany debt to a non-Obligor and any shareholder debt, no enforcement trigger event is outstanding; or

d. with the consent of each of:

i. (while any Super Priority Debt is outstanding) the Representative representing the Relevant Majority of the Super Priority Debt;

ii. (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of (A) the Senior Bank Creditors and (B) (only to the extent prohibited by the Senior Secured Notes Indenture), the Senior Secured Notes Creditors;

iii. (if any Senior Bank Debt has been discharged but while any Senior Secured Notes Debt is outstanding and only to the extent prohibited under the Senior Secured Notes Indenture (to the extent prohibited by a Senior Secured Notes Designated Debt Document (as defined below)) the Representative representing the Relevant Majority of the Senior Secured Notes Creditors; and

iv. (while any Senior Subordinated Debt is outstanding), the Representative representing the Relevant Majority of Senior Subordinated Creditors; and

3. while any Senior Secured Debt is outstanding, the Obligors will only be permitted to make payments of Holdco Debt

a. with the prior written consent of:

i. (while any Super Priority Debt is outstanding) the relevant Representatives representing the Relevant Majority of the Super Priority Creditors;

ii. (while any Senior Bank Debt is outstanding) the Representatives representing the Relevant Majority of (x) the Senior Bank Creditors and (y) (only to the extent prohibited by the Senior Secured Notes Indenture) the relevant Representatives Senior Secured Notes Creditors; and

iii. (if any Senior Bank Debt has been discharged and while the Senior Secured Notes Debt is outstanding) (only to the extent prohibited by the Senior Secured Notes Indenture) the relevant Representatives representing the Relevant Majority of the Senior Secured Notes Creditors; or

b. such payments are equal to the amount of payments in respect of the liabilities owed to the Senior Subordinated Notes Creditors.

A Representative representing i) the relevant Senior Bank Lenders or ii) the relevant Senior Secured Notes Creditors or iii) the relevant Super Priority Creditors (each in accordance with its underlying documents) may serve a notice specifying that an event of default is outstanding and suspend the payment of any Senior Subordinated Notes Debt (a “Stop Notice”) until the earlier of: (i) 179 days after the Stop Notice, (ii) if an enforcement notice specifying a default under the Senior Subordinated Notes Debt has been served by a Representative of the Relevant Majority of the Senior

Subordinated Creditors (an "Enforcement Notice") and a standstill period of 179 days (a "Standstill Period") is already in effect, the date on which the aforementioned Standstill Period expires, (iii) the date on which the event of default under the relevant Super Priority Debt document or Senior Debt document has been remedied or waived in accordance with the relevant debt document, (iv) the date on which each Representative that served the Stop Notice cancels such Stop Notice, (v) the date on which the creditors with respect to the Senior Subordinated Debt take enforcement action in accordance with (and as permitted by) the Intercreditor Agreement, and (vi) the date the Senior Secured Debt is no longer outstanding. The Stop Notice is to be issued within 45 days of receipt of notice of such default and only one such notice may be served within any 360 day period and not more than one Stop Notice may be served in respect of the same event or set of circumstances. Notwithstanding the foregoing, the Senior Secured Notes Trustee will be entitled to receive and retain certain amounts payable for its own account. A Stop Notice shall be deemed to be in effect if a payment default is outstanding in respect of any Senior Secured Debt.

For purposes of the Intercreditor Agreement, "Permitted Payments" is defined to include certain customary permitted payments which include scheduled payments of interest; amounts payable under Senior Subordinated Notes by way of default interest, liquidated charges or penalty interest; amounts payable under applicable gross up provisions or currency indemnities; fees, costs, expenses and taxes incurred in respect of the issuance and offering of the Senior Subordinated Notes or the ordinary day-to-day administration of the Senior Notes; principal amount of the Senior Subordinated Notes upon or after their originally scheduled maturity; any other amount not exceeding an agreed amount in any 12-month period; note trustee costs and security agent costs; certain permitted defeasance trust payments; amounts funded from the proceeds of issuance of, or exchanged for or converted into certain defined permitted junior securities any other amounts consented to by the Representatives representing the Relevant Majority of each of the Super Priority Debt and Senior Debt.

Restrictions on Enforcement

Subject to certain limited exceptions, and except with the consent of the Relevant Majority of Super Priority Creditors (while the Super Priority Debt is outstanding) and the Instructing Group, while Senior Secured Debt is outstanding, the Senior Subordinated Creditors cannot (i) demand payment of any Senior Subordinated Notes Debt or Subordinated Debt, (ii) accelerate any of the Senior Subordinated Notes Debt or the Subordinated Debt or otherwise declare any of the aforementioned debt prematurely due or payable on an event of default or otherwise, (iii) enforce any of the Senior Subordinated Notes Debt or Subordinated Debt by attachment, set-off, execution or otherwise, (iv) (in the case of Senior Subordinated Creditors) enforce the Security relating to the Senior Subordinated Notes Debt, (v) petition for, initiate, support or take any steps with a view to any insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor, (vi) sue or bring or support any legal proceedings against any Obligor or its subsidiaries or (vii) otherwise exercise any remedy for the recovery of any Senior Subordinated Notes Debt or Subordinated Debt. The aforementioned does not prohibit the Senior Subordinated Creditors from, among others, (i) taking any necessary action to preserve the validity and existence of any claims, (ii) taking any action against any creditor to challenge the basis on which any sale or disposal is to take place pursuant to powers granted under any security documents, (iii) bringing proceedings in relation to violations of securities laws/regulations or for fraud, (iv) solely for injunctive relief to restrain any actual or punitive breach of the indenture governing the Senior Subordinated Notes or for specific performance not claiming damages not inconsistent with the Intercreditor Agreement, (v) against the Senior Subordinated Notes Issuer, or (vi) requesting judicial interpretation of any provision of any Senior Subordinated Creditor finance document. A Senior Subordinated Creditor or Subordinated Creditor will be allowed to bring or support proceedings to prevent the loss of any right to bring or support proceeding by reason of expiry of statutory limitation periods. Subject to the written instructions of the Security Agent (acting on the instructions of the relevant Creditors entitled to take enforcement action with respect to the Collateral) no Structural Creditor may, while any Senior Secured Debt is outstanding take certain actions in respect of the Structural Debt including (i) accelerate any of the Structural Debt or otherwise declare any of the Structural Debt prematurely due or payable as a result of a default or an event of default (howsoever described), (ii) enforce any of the Structural Debt by attachment, set-off, execution or otherwise, (iii) enforce (or give instructions to the Structural Creditor Security Agent to enforce) the security securing the Structural Debt, (iv) petition (or vote in favor of any resolution in favor for) or initiate or take any steps with a view to any insolvency or any voluntary agreement or assignment for the benefit of creditors or any similar proceedings involving HOT and/or its direct or indirect subsidiaries, (v) sue or bring or support any legal proceedings against HOT and/or any of its direct or indirect Subsidiaries, or (vi) otherwise exercise any remedy for the recovery of any Structural Debt.

In addition to customary termination rights under the Hedging Agreements, the Hedging Banks benefit from certain additional termination rights permitting termination or close-out of the relevant Hedging Agreement prior to its stated maturity in the following circumstances (in each case subject to a grace period of at least 30 days from the date of occurrence of the relevant circumstance, and subject in each individual circumstance to the applicable grace periods set out in the relevant finance document):

(a) a payment default exceeding an amount to be agreed under any financial indebtedness (subject to any applicable grace period) of the Senior Notes Issuer, any Covenant Party or their subsidiaries has occurred;

(b) a default and subsequent acceleration of any amounts of financial indebtedness equal to or greater than $20 million;

(c) failure by the Existing Senior Secured Notes Issuer, an Obligor or a Significant Subsidiary (as defined in Senior Secured Notes Indenture) to pay final judgments aggregating in excess of $20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final;

(d) any impairment of security and/or guarantees which constitutes an event of default under the Senior Secured Notes Indenture;

(e) any event of default or prepayment event under the Senior Secured Notes Indenture or any other relevant finance document caused by a change of control; or

(f) any event of default or prepayment event under the Senior Secured Notes Indenture or any other relevant finance document which is caused as a result of: (i) a cross-default, (ii) a breach of the covenant relating to indebtedness, (iii) a breach of the covenant relating to restricted payments, (iv) a breach of the covenant relating to certain distributions, (v) a breach of the covenant relating to asset sales and subsidiary stock, (vi) a breach of the covenant relating to issuer activities, (vii) a breach of the covenant relating to holding company activities, (viii) a breach of the covenant relating to impairment of security and (ix) a breach of the covenant relating to affiliate transactions.

Permitted Enforcement

Despite the restrictions of enforcement described above, the Intercreditor Agreement allows the Senior Subordinated Creditors to take the aforementioned enforcement actions while any Senior Secured Debt is outstanding if (i) payment of the Senior Secured Debt has been accelerated or declared prematurely due and payable or payable on demand or the Relevant Majority of Super Priority Creditors and/or Senior Creditors have taken any enforcement action under the security documents in relation to such debt, (ii) certain insolvency, liquidation or other similar enforcement events have occurred with respect to an Obligor (other than an Obligor that is not a borrower or guarantor under any Senior Secured Debt) and such actions are taken with respect to such Obligor, (iii) there is an event of default under the Senior Subordinated Notes Debt for failure to pay principal at its originally scheduled maturity, (iv) the proposed enforcement action has been consented to by the Relevant Majority of Super Priority Debt, Senior Bank Creditors, Senior Secured Notes Creditors or (v) a period (the “Standstill Period”) of not less than 179 days has elapsed from the date any Representative of the Senior Secured Creditors received an Enforcement Notice from the Senior Subordinated Creditors relating to an event of default under the applicable documents relating to such Senior Subordinated Debt and such event of default is outstanding at (and has not been waived prior to) the end of the Standstill Period.

The Intercreditor Agreement will require the Security Agent to give prompt notice to the representative of the Senior Subordinated Notes Debt if it is instructed to enforce the security relating to the equity/ownership interest securing Senior Secured Debt (a “Senior Enforcement”). During the period from the giving of that notice to the date that the Security Agent ceases to use all reasonable commercial efforts to carry out that Senior Enforcement as expeditiously as reasonably practicable having regard to the circumstances:

- the Security Agent will not be permitted to enforce any Security over such equity interests in a manner that would adversely affect such Senior Enforcement; and

- no Senior Subordinated Creditor will be permitted to take, or will be permitted to give any instructions to the Security Agent to take, any enforcement action prohibited by the preceding bullet,

provided that the foregoing will not prejudice any other rights of the Senior Subordinated Creditors to take any enforcement action against any other Obligor that are permitted under the Intercreditor Agreement. The Intercreditor Agreement will require the Security Agent to give prompt notice to the Representative of Senior Subordinated Notes Debt of its ceasing to carry out a Senior Enforcement.

Enforcement Instructions

No Senior Secured Creditor or Senior Subordinated Notes Creditor has any independent power to enforce, or have recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by (i) while the Super Priority Debt is outstanding, the Relevant Majority of Super Priority

Creditors or the Instructing Group, and (ii) after the discharge of the Senior Secured Debt (or if permitted to do so as described above under "—Limitations on Enforcement"), the Relevant Majority of Senior Subordinated Creditors. The Security Agent may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it is not appropriately indemnified by the relevant creditors.

No Structural Creditor has any independent power to enforce, or have recourse to, any security serving the Structural Debt.

To the extent that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Senior Agent and each other Senior Secured Representative 10 business days prior to the date it issues the enforcement instructions (the "Proposed Enforcement Instruction Date"). To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, they must notify the Security Agent and each other Senior Secured Representative at least three business days prior to the date it intends to accelerate. If the Security Agent receives conflicting enforcement instructions prior to the Proposed Enforcement Instruction Date, the Representatives of the Super Priority Creditors and the Representative of the Instructing Group shall consult with one another and with the Security Agent in good faith for 30 days (or such shorter date as may be agreed) (the "Consultation Period"). Consultation will not be required if the Security has become enforceable as a result of an insolvency event relating to an Obligor against whom such enforcement action is taken or if any of such instructing representatives determines in good faith that consultation (and thereby the delay) could reasonably be expected to have a material adverse effect on the ability to enforce the Security or the realization of proceeds of enforcement.

While the Super Priority Debt is outstanding, if the Security Agent receives conflicting enforcement instructions from the Representatives of the Super Priority Debt or the Instructing Group, and the 30 day consultation period between the two parties has passed, the Security Agent shall comply with the instruction from the Instructing Group. The failure by a creditor group to issue enforcement instructions will be deemed to be conflicting, provided that if the representatives of the Instructing Group fail to give instructions as to enforcement and the 30 day consultation period has elapsed without the Instructing Group issuing instructions, the Security Agent will comply with the instructions of the representative of the Super Priority Debt. The instructions of the Super Priority Creditors will prevail if i) the Super Priority Creditors have not been fully and finally discharged in cash within six months of the Proposed Enforcement Date, or ii) the Security Agent has not commenced any enforcement action within 3 months of the Proposed Enforcement Date. All enforcement instructions will need to comply with the following security enforcement principles:

1. It shall be the aim of any enforcement of the Security to achieve the Security Enforcement Objective (hereinafter defined). "Security Enforcement Objective" means maximizing, so far as is consistent with a prompt and expeditious enforcement of the Security, the recovery of the Super Priority Creditors and (without prejudice to the waterfall described in "*Application of Proceeds*" below) the Senior Creditors.

2. The security enforcement principles may be amended, varied or waived with the prior written consent of the Relevant Majority of Super Priority Creditors, an Instructing Group and the Security Agent.

3. Without prejudice to the Security Enforcement Objective, the Security will be enforced and other action as to enforcement of the Security will be taken such that either:

    (a) in the event enforcement is being effected in accordance with the instructions of the Instructing Group either:

        (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "*Application of Proceeds*" below; or

        (ii) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the waterfall described in "*Application of Proceeds*" below), the Super Priority Debt is repaid and discharged in full (unless the Relevant Majority of Super Priority Creditors agree otherwise); or

    (b) in the event enforcement is being effected in accordance with the instructions of the Super Priority Creditors either:

        (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "*Application of Proceeds*" below; or

(ii) with the consent of the Instructing Group, the proceeds are received by the Security Agent in cash and non-cash consideration for distribution in accordance with the waterfall described in "*Application of Proceeds*" below.

4. The enforcement must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for realization of value from the enforcement of the Security pursuant to enforcement will be determined by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group provided that it is consistent with the Security Enforcement Objective.

5. On:

(a) a proposed enforcement of any of the Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds U.S.$ 3,000,000 (or its equivalent); or

(b) a proposed enforcement of any of the Security over some, but not all, of the shares in a member of the Holdco Group (being any Covenant Party and the Senior Notes Issuer and their respective Subsidiaries from time to time) over which Security exists.

the Security Agent shall, if so requested by (while the Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group, and at the expense of such creditors, obtain an opinion from any (X) "big four" accounting firm, (Y) reputable and independent internationally recognized investment bank, or (Z) other reputable and independent professional services firm experience in restructuring and enforcement (a "Financial Advisor"), that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances. If the Security Agent is unable to obtain an opinion pursuant to this paragraph 5, it shall notify the Super Priority Representatives and the Senior Representatives representing an Instructing Group and may proceed to enforce the Security without obtaining such opinion.

6. The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the security enforcement principles or any other provision of the Intercreditor Agreement.

7. The Financial Advisor's opinion will be conclusive evidence that the Security Enforcement Objective has been met.

8. If enforcement of any Security is conducted by way of public auction in any relevant jurisdiction, no Financial Advisor shall be required to be appointed in relation to such enforcement action. Nothing shall require the enforcement of Security to take place by way of public auction.

Release of Security and Guarantees

An Obligor may dispose of an asset outside of the Holdco Group if i) the disposal is not prohibited by the underlying finance documents, or ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the Intercreditor Agreement (and such disposal is consistent with certain security enforcement principles), or iii) the disposal is pursuant to enforcement action in accordance with the Intercreditor Agreement, and, in each case, the Security Agent is authorized to release any Security or any security securing the Structural Debt and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security or any security securing the Structural Debt, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal is applied in accordance with the relevant finance document and with the Intercreditor Agreement.

Where a disposal relates to ii) or iii) above, the Security Agent is only authorized to release the relevant Security and liabilities owing to the Senior Subordinated Creditors if i) the proceeds are received by the Security Agent in cash (or substantially all cash); ii) the disposal is made pursuant to a public auction or with an opinion from a restructuring advisor confirming that the disposal price is fair (taking into account all relevant circumstances); iii) the debt is simultaneously and unconditionally released (and not assumed by a purchaser or affiliate of a purchaser) and iv) the proceeds are applied in accordance with the Intercreditor Agreement.

Where liabilities in respect of any Senior Secured Debt would otherwise be released, the relevant creditor may elect to transfer such liabilities to the Senior Notes Issuer or the original Shareholder. If shares in an Obligor or its holding company are being disposed of and the Security Agent decides to dispose of all or part of the liabilities of such Obligor, holding company or any subsidiary under the finance documents, the Security Agent may: (a) dispose of all or part of such liabilities such that the transferee shall not be treated as a Senior Secured Creditor or a secured party; and (b) dispose of all (and not part) of such liabilities owed to the Senior Secured Creditors on behalf of the relevant creditors and Obligors such that the transferee be treated as a Senior Secured Creditor or a secured party.

Turnover

The Intercreditor Agreement also provides that if any Super Priority Creditor, Senior Secured Creditor (with respect to proceeds from the enforcement of security and proceeds of certain disposals only), Structural Creditor (with respect to proceeds from the enforcement of security securing the Structural Debt only), Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment of any Senior Secured Debt, Structural Debt, Senior Subordinated Notes Debt or Subordinated Debt which is prohibited by the Intercreditor Agreement or not paid in accordance with the provisions described under "—*Application of Proceeds*", subject to certain exceptions, the receiving or recovering creditor will promptly notify the Security Agent and hold any amount on trust for the creditors and, upon demand by the Security Agent, pay that amount to the Security Agent or, if lower, the amount of debt owed to the relevant category of creditor, in each case less the third party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Agent in accordance with the order of priority described under "—*Application of Proceeds*". These provisions will not apply to any receipt or recovery by the Hedging Banks in relation to certain netting and set-off arrangements with Obligors, permitted refinancing or the loss sharing provisions of the Intercreditor Agreement.

Subordination on Insolvency

After the occurrence of an insolvency event in relation to any Obligor (the "Insolvent Obligor"), the Senior Subordinated Debt owed by the Insolvent Obligor will be subordinated in right of payment to the Super Priority Debt and Senior Debt owed by such Insolvent Obligor. Moreover, the shareholder debt and (unless otherwise required by (while the Super Priority Debt remains outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group) the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Secured Debt owed by such Insolvent Obligor.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of (while any Super Priority Debt excluding Hedging Debt is outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor (ii) only with respect to shareholder debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor and (iv) receive all payments of or in respect of any debt owed by the Insolvent Obligor for application in accordance with the provisions set forth under "—*Application of Proceeds*." Notwithstanding the foregoing, nothing shall (i) entitle any party to exercise or require any other party to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Senior Subordinated Debt; or (ii) be deemed to require any Senior Subordinated Notes Creditor to hold a meeting or pass any resolution at such meeting or give any consent pursuant to the terms of any finance documents, or (iii) authorize any Super Priority Creditor or Senior Secured Creditor to take any action against the Senior Subordinated Notes Issuer in respect of the Senior Subordinated Debt.

If the Security Agent is not entitled or does not take any of the actions referred to above the representative of Senior Subordinated Debt, the Senior Subordinated Notes Creditor and the Subordinated Creditors (i) will each do so promptly when requested by the Security Agent (acting on the instructions of (while Super Priority Debt is outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group subject, in the case of Senior Subordinated Creditors only, to either or both the Super Priority Creditors or the Senior Creditors giving an appropriate indemnity for any costs and expenses which may be reasonably incurred by the Senior Subordinated Creditors and their representative in doing or taking the actions so requested); and (ii) may each do so to the extent permitted as described under "—*Restrictions on Enforcement*."

Application of Proceeds

Subject to the rights of any creditor (other than a Secured Creditor or a Structural Creditor) with prior security or preferential claims, (i) all amounts from time to time received pursuant to the provisions described under "—*Turnover*" or otherwise recovered by the Security Agent (or any other creditors) in connection with the realization or enforcement of all or any part of the security in favor of the Senior Secured Debt or Senior Subordinated Notes Debt (other than the pledge of the shares of the Senior Notes Issuer), the sale of any asset of any Obligor pursuant to an insolvency event or, an enforcement action, judicial supervised or sanctioned reorganization or administrative work-out restructuring or otherwise and (ii) all amounts from time to time received or recovered by the Structural Creditor Security Agent in connection with the realization or enforcement of the security securing the Structural Debt, shall be held by the Security Agent or the Structural Security Agent, on trust, in each case to apply them at any time as the Security Agent or the Structural Creditor Security Agent sees fit in the following order:

- first, in payment of the following amounts in the following order of priority: (i) *pari passu* and pro rata to the Security Agent and the Structural Creditor Security Agent and thereafter to the trustees to the Senior Subordinated Notes and Existing Senior Secured Notes of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Super Priority Debt, Senior Bank Debt, Senior Secured Notes Debt and Senior Subordinated Notes Debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents, the Structural Debt Documents or the Intercreditor Agreement;

- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Super Priority Creditor in connection with such enforcement;

- third, in payment *pari passu* and pro rata to the representative of the Super Priority Debt and the Hedging Banks for application towards the balance of the Super Priority Debt;

- fourth, in payment of the balance of the costs and expenses of each Senior Creditor in connection with such enforcement;

- fifth, in payment *pari passu* and pro rata to each representative of Senior Debt for application towards (i) Senior Bank Debt and (ii) Senior Secured Notes Debt;

- sixth, (only to the extent secured) in payment of the balance of the costs and expenses of each Senior Subordinated Creditor in connection with such enforcement;

- seventh, (only to the extent secured) in payment *pari passu* and pro rata to each Senior Subordinated Creditor towards the balance of the Senior Subordinated Notes Debt;

- eighth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

Subject to the rights of any creditor (other than a Secured Creditor) with prior security or preferential claims, all amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of Security created pursuant to the pledge of the shares of the Senior Notes Issuer shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit in the following order:

- first, in payment of the following amounts in the following order of priority: (i) to the Security Agent and trustee to the Notes and of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Senior Subordinated Notes Debt and of such other senior subordinated debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents or the Intercreditor Agreement;

- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Senior Subordinated Creditor and such other senior subordinated debt creditor in connection with such enforcement;

- third, in payment *pari passu* and pro rata to the representative of the Senior Subordinated Notes Debt and of such other senior subordinated debt for application towards the balance of the Senior Subordinated Notes Debt;

- fourth, in payment of the surplus (if any) to the Obligors or other person entitles to it.

Amendment

Prior consent of each Representative (other than any Senior Subordinated Representative unless in respect of an amendment, waiver or consent under any security document evidencing Security in favor of the Senior Subordinated

Creditors) is required for any waivers, consents, or amendments in relation to any security documents (including any Structural Debt Security document) if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the nature or scope of the assets which are or expressed to be the subject of security for the Structural Debt (the "Structural Debt Security") or the manner in which the proceeds of enforcement of Security or the Structural Debt Security is distributed.

Any Senior Subordinated Notes documents may be amended in accordance with their terms i) if permitted by the Senior Secured Debt documents or with the consent of (while Super Priority Debt excluding Hedging Debt is outstanding) the representatives representing the Super Priority Creditors, the Senior Bank Creditors and (but only to the extent prohibited by the indentures governing the Existing Senior Secured Notes) the Senior Secured Note Creditors or ii) in certain other limited circumstances.

The Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Intercreditor Agreement, and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Senior Subordinated Creditors, the Super Priority Creditors, the Security Agent and the Issuers), the Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Secured Notes Creditors and the Majority Senior Subordinated Creditors, the Issuers, the Security Agent and the Structural Creditor Security Agent.

License Guarantees

HOT and its subsidiaries are required to provide guarantees, often by way of a bank guarantee, to the Ministry of Communications and Broadcast Council in connection with various operating and broadcasting licenses, including provided a bank guarantee in the amount of NIS 695 million in connection with the HOT Mobile's winning a frequency allotment and receiving a cellular license in 2011. The balance of the HOT Mobile guarantee will be reduced if HOT Mobile is able to exceed certain market share-based milestones. Under the terms of the license, the remaining license fee will be reduced by one-seventh for every percent of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile will be calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of cellular subscribers in the private sector; (ii) the ratio of the number of outgoing cellular call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing cellular call minutes (including call minutes in the same network) by all cellular subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all cellular subscribers in the private sector. The market share will be measured in September 2013 and September 2016. Three months after the second testing date, HOT Mobile will pay the remaining license fee, which will be the lowest fee as calculated on each of the testing dates. For more information see "*Description of HOT's Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

HOT Mobile Earnout

In connection with the acquisition of HOT Mobile from Altice Securities and Migad (the "Earnout Recipients"), HOT agreed to pay the Earnout Recipients additional consideration up to an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile market share and HOT consolidated EBITDA. Altice Securities has assigned its rights and entitlements to the Earnout to Cool Holding and accordingly any payments made by HOT under the earnout will remain in the Group. See "*Certain Relationships and Related Party Transactions—HOT Mobile Earnout*".

HOT Refinancing Note

The following contains a summary of the terms of the HOT Proceeds Term Note and the HOT Refinancing RCF Note. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

HOT Proceeds Term Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, the Existing Senior Secured Notes Issuer purchased an NIS 1,900 million (€408 million equivalent) intercompany term note (the "HOT Proceeds Term Note") issued by HOT.

Interest

The HOT Proceeds Term Note bears interest at a rate of 6.3% per annum, which is payable semi-annually in cash in arrears on the date which is two business days prior to each June 15 and December 15, commencing on the date which is two business days prior to June 15, 2013 and shall be calculated on the basis of a three hundred and sixty (360) day year composed of twelve (12) months of thirty (30) days each. Interest accrues from 2012 Transaction Completion Date. The maturity date of the HOT Proceeds Term Note is the same as the maturity date of the Senior Secured Notes.

Guarantees and Security

The HOT Proceeds Term Note is a senior obligation of HOT and is guaranteed on a senior basis by the HOT Refinancing Note Guarantors. The HOT Proceeds Term Note is secured by a pledge over substantially all of the assets of the HOT and the HOT Refinancing Note Guarantors (including all of the share capital of HOT Mobile) but, in each case, excluding (a) licenses issued by the Israeli Ministry of Communications, which are not assignable as a matter of law, and (b) certain end-user equipment (the "HOT Refinancing Note Collateral").

Repayment

HOT may not prepay the HOT Proceeds Term Note except (i) in the event of a Change of Control, as defined in the HOT Proceeds Term Note, (ii) upon certain asset sales and (iii) if duly approved by HOT and required in order to facilitate or accommodate a repayment of the Existing Senior Secured Notes by the Existing Senior Secured Notes Issuer.

Change of Control

If a change of control occurs, the Existing Senior Secured Notes Issuer will have the right to require HOT to prepay all or any part of the HOT Proceeds Term Note, together with a premium of 1% of the principal amount of the HOT Proceeds Term Note prepaid, plus accrued and unpaid interest, to the date of prepayment.

Change of Control is defined as

(a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (as defined in the HOT Proceeds Term Note, including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (as defined in the HOT Proceeds Term Note) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of HOT, measured by voting power rather than number of shares; or

(b) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of HOT and its restricted subsidiaries taken as a whole to a Person (including any "person" as defined above), other than a Permitted Holder.

Covenants and Events of Default

HOT has agreed, and has agreed to cause each of its subsidiaries, for the sole benefit of the Existing Senior Secured Notes Issuer, (i) to be bound by the covenants in Article 4 (*Covenants*) and Article 5 (*Merger and Consolidation*) of the Senior Secured Notes Indenture that are applicable to HOT and its subsidiaries as Restricted Subsidiaries (as defined in the Senior Secured Notes Indenture), (ii) if duly appointed as Paying Agent under the Senior Secured Notes Indenture, to be bound by the obligations in the Senior Secured Notes Indenture relating thereto and (iii) to comply with the obligations set forth in the section to be titled "Collateral and Security Documents" in the Senior Secured Notes Indenture.

The HOT Proceeds Term Note contains events of default, substantially similar to those contained in the Senior Secured Notes Indenture which, if such event of default occurs, permits the Existing Senior Secured Notes Issuer to declare the HOT Proceeds Term Note due and payable immediately. However, upon an event of default under the Notes, HOT and its subsidiaries shall not be liable in any way, including by way of cross-default, and shall not be required to repay any amounts outstanding, including any repayment premiums and accrued and unpaid interest thereon, under the Notes. Further, the HOT Refinancing Note Guarantors will only guarantee HOT's obligations under the HOT Refinancing Notes (the "HOT Refinancing Note Guarantees"). The HOT Refinancing Note Guarantees will be limited to an aggregate amount equal to the amount outstanding under the HOT Refinancing Notes which may vary from time to time in accordance with the terms of the HOT Refinancing Notes. HOT and the HOT Refinancing Note Guarantors will only have liability to the holders of the Existing Senior Secured Notes in the event of an event of default under the HOT Refinancing Notes, in each case, indirectly as a result of an assignment of the HOT Refinancing Notes and/or the ability of the holders of the Existing Senior Secured Notes to direct the actions of the Existing Senior Secured Notes Issuer in connection with the HOT Refinancing Notes in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. The Senior Notes will not benefit from any assignment of the HOT Refinancing Notes.

Limitation of Liability

For the avoidance of doubt and without in any way limiting HOT's and the HOT Refinancing Note Guarantors' obligations to the Existing Senior Secured Notes Issuer pursuant to the HOT Proceeds Term Note, in any event, including in the event of a default by HOT and/or the HOT Refinancing Note Guarantors under the HOT Proceeds Term Note, or by the Existing Senior Secured Notes Issuer under the Existing Senior Secured Notes or the Existing Revolving Credit Facility or the relevant borrower under the Cool Proceeds Note, the Acquisition Proceeds Note or any documents related to any of the foregoing, HOT and the HOT Refinancing Note Guarantors shall not be liable in any way, including by way of cross default, and shall not be required to repay any amounts outstanding, any repayment premiums and accrued and unpaid interest thereon, under the Existing Senior Secured Notes, the Existing Revolving Credit Facility, the Cool Proceeds Note and the Acquisition Proceeds Note or any documents related to any of the foregoing. It is further clarified that the HOT Refinancing Note Guarantors serve as guarantors only with respect to the HOT's debt obligation under the HOT Proceeds Term Note.

Conflicts

For the avoidance of doubt, and despite HOT not being party to such agreements, other than with respect to the covenants described above, in the event that any of the other terms or provisions of this HOT Proceeds Term Note conflict with any terms or provisions of the Senior Secured Notes Indenture, Intercreditor Agreement or related agreements that are applicable to HOT and the HOT Proceeds Term Note, the Existing Senior Secured Notes Issuer has agreed and acknowledged that (as between HOT and the Existing Senior Secured Notes Issuer only) the terms or provisions of the HOT Proceeds Term Note shall prevail.

HOT Refinancing RCF Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, the Existing Senior Secured Notes Issuer purchased an intercompany revolving credit facility note (the "HOT Refinancing RCF Note" and, together with the HOT Proceeds Term Note, the "HOT Refinancing Notes") issued by HOT pursuant to which the Existing Senior Secured Notes Issuer may make available to HOT amounts borrowed by the Existing Senior Secured Notes Issuer under the Existing Revolving Credit Facility Agreement. The HOT Refinancing RCF Note contains substantially similar terms as the HOT Proceeds Term Note except that, in addition to the covenants contained in the HOT Proceeds Term Note, the HOT Refinancing RCF Note contains one leverage based maintenance covenant. The HOT Refinancing RCF Note is guaranteed by the HOT Refinancing Note Guarantors and secured by the same HOT Refinancing Note Collateral that secures the HOT Refinancing Term Note.

Senior Notes Proceeds Loans

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, the Senior Notes Issuer made an intercompany loan (the "Existing Senior Notes Proceeds Loan") in aggregate principal amount of approximately $425 million pursuant to which it loaned the proceeds of the offering of the Existing Senior Notes to the Existing Senior Secured Notes Issuer and on the Escrow Release Date the Senior Notes Issuer will make an intercompany loan of approximately €250 million pursuant to which it loaned the proceeds of the New Senior Notes to the Existing Senior Secured Notes Issuer (the "New Senior Notes Proceeds Loan", together with the Existing Senior Notes Proceeds Loan). The terms of the Senior Notes Proceeds Loans are customary for intercompany proceeds loans. The Existing Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the Existing Senior Notes. The maturity date of the Existing Senior Notes Proceeds Loan is the same as the maturity date of the Existing Senior Notes. Payments on the Existing Senior Notes Proceeds Loan are subject to the Intercreditor Agreement. The New Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the New Senior Notes. The maturity date of the New Senior Notes Proceeds Loan is the same as the maturity date of the New Senior Notes. Payments on the New Senior Notes Proceeds Loan are subject to the Intercreditor Agreement.

Additional Intercompany Proceeds Loans

On the 2012 Transaction Completion Date, the Existing Senior Secured Notes Issuer made intercompany proceeds loans, in addition to the HOT Refinancing Note, to certain entities in the Group with the proceeds of the Existing Senior Secured Notes and the Existing Senior Notes Proceeds Loan. On the Escrow Release Date, the Existing Senior Secured Notes Issuer will make an intercompany loan to Altice Pool with the proceeds of New Senior Notes and the New Term Loan. Altice Pool will, in turn, make additional intercompany proceed loans (or subscribe to bonds), including the ABO Proceeds Loan, the Cabovisao Proceeds Notes, the Altice West Groupe Proceeds Loan, the Outremer Proceeds Loans and the Le Cable Proceeds Loans (the "Covenant Party Pledged Proceeds Loans") to certain entities in the Group in connection with consummation of the Transactions. These loans are pledged as security for the Senior Secured Debt. The New Senior Notes and Existing Senior Notes do not benefit from any security over the intercompany proceeds loans granted by the Existing Senior Secured Notes Issuer. For further details, see "—Summary Corporate and Financing Structure.".

DESCRIPTION OF NOTES

You will find definitions of certain capitalized terms used in this "Description of Notes" under the heading "Certain Definitions". Certain capitalized terms used in this "Description of Notes" may have different definitions that the same term used in other sections of this Offering Memorandum. For purposes of this "Description of Notes", references to the "Issuer" refers only to Altice Finco S.A.

The Issuer has issued €250 million aggregate principal amount of its Senior Notes due 2023 (the "Notes") under an indenture (the "Indenture"), between, *inter alios*, itself, Altice VII S.à r.l. ("Altice VII") a private limited company (*société a responsabilité limitée*) incorporated under the laws of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B143.725, Citibank, N.A., London Branch, as trustee (the "Trustee") and as security agent, in a private transaction that is not subject to the registration requirements of the Securities Act. The Issuer is a wholly-owned subsidiary of Altice VII.

The gross proceeds of the offering of the Notes sold on the Issue Date, when released from escrow as described below, will be loaned by the Issuer to the Senior Secured Notes Issuer, who will use the net proceeds of the Notes, after deducting fees and expenses related thereto, together with borrowings under the Term Loans as described in this Offering Memorandum under "The Transaction" and "Use of Proceeds". The Fold-in, the Cabovisao Refinancing and the Coditel Refinancing (as each such term is defined elsewhere in this Offering Memorandum under "The Transaction") are herein referred to collectively as the "Senior Notes Transactions". The date on which the Senior Notes Transactions are consummated are herein referred to as the "Senior Notes Transactions Completion Date".

Pending consummation of the Senior Notes Transactions and the satisfaction of certain other conditions as described below, the initial purchasers have, concurrently with the closing of the offering of the Notes on the Issue Date, deposited the gross proceeds of this offering of the Notes into an escrow account (the "Escrow Account") pursuant to the terms of an escrow agreement (the "Escrow Agreement") dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Citibank, N.A., London Branch, or another similarly reputable escrow agent, as Escrow Agent (the "Escrow Agent"). If the Senior Notes Transactions are not consummated on or prior to July 15, 2013 (the "Escrow Longstop Date"), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Proceeds; Special Mandatory Redemption*".

As of the initial issuance of the Notes, the Notes are obligations solely of the Issuer and will not be guaranteed. Although Altice VII will be party to the Indenture on the Issue Date for purposes of the covenants described below, the Note Guarantee of Altice VII will not be effective until the Senior Notes Transactions Completion Date (if it occurs). Assuming the Senior Notes Transactions Completion Date occurs on or prior to the Escrow Longstop Date and the funds are released from the Escrow Account, on the Senior Notes Transactions Completion Date, the Note Guarantee of Altice VII will become effective and each of Cool, H. Hadaros 2012, Ltd., Altice Pool S.à r.l., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Caribbean S.à r.l., ABO, Green and the Senior Secured Notes Issuer will execute and deliver a supplemental indenture providing for a Note Guarantee on a senior subordinated basis. The release of the proceeds of the offering of the Notes from the Escrow Account will be subject to certain conditions. See "*General—Escrow of Proceeds; Special Mandatory Redemption.*"

The Indenture is unlimited in aggregate principal amount and €250 million in principal amount of Notes will be issued in this offering. We may issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the "Additional Notes"); *provided*, *however*, that we will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Liens*"). The Notes issued in this offering are and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. However, in order for any Additional Notes to have the same common code and ISIN as the Notes, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes. Unless the context otherwise requires, in this "Description of Notes", references to the "Notes" include the Notes and any Additional Notes that are actually issued. The terms of the Notes include those set forth in the Indenture. The Indenture is not be qualified under, and does not incorporate by reference any of the provisions of, the U.S. Trust Indenture Act of 1939, as amended.

This "Description of Notes" is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement, the Escrow Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture, the form of Notes, the Intercreditor Agreement, the Escrow Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security

Documents, the Escrow Agreement and the Intercreditor Agreement are available as set forth under "Available Information". See the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*" for a summary of certain material terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

General

The Notes

The Notes are obligations of the Issuer and, prior to the Escrow Release Date, are secured on a first ranking assignment over the Escrowed Property and the rights of the Issuer under the Escrow Agreement. See "*—Ranking of the Notes and Security Prior to Escrow Release.*" Following the Escrow Release Date, the Notes will initially be guaranteed by the Guarantors and secured by the assets and security interests described below under "*—Ranking of the Notes, Note Guarantees and Security.*"

The Notes:

- are general obligations of the Issuer;
- are prior to the Completion Date, secured by a first ranking assignment over the Escrowed Property and the rights of the Issuer under the Escrow Agreement;
- will, as of the Senior Notes Transactions Completion Date, benefit from the security as set forth below under "*—Notes Security*";
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Original Issuer Notes;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; and
- are effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness.

The Note Guarantees

On the Senior Notes Transactions Completion Date, the Notes will be guaranteed by the Guarantors (provided that the Guarantees of Cabovisao and Altice Portugal together with their guarantees of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Senior Secured Notes, the Senior Credit Facility, the Original Issuer Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €95 million, see "Summary Corporate and Financing Structure"). Neither HOT, Altice Blue Two SAS ("NewCo OMT") nor any of their Subsidiaries will Guarantee the Notes. Each Note Guarantee of the Notes will:

- be a senior subordinated obligation of the relevant Guarantor;
- be subordinated in right of payment to all existing and future Senior Indebtedness of that Guarantor (including that Guarantors' obligations under the Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility and certain Hedging Obligations);
- rank pari passu in right of payment with any existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor's Note Guarantee;
- rank senior in right of payment to any existing and future obligations of that Guarantor that is expressly subordinated in right of payment to such Notes Guarantee;
- benefit from the security as set forth below under "*—Notes Security*";
- be effectively subordinated to any existing and future secured Indebtedness of that Guarantor that are secured by Liens ranking ahead of the Liens securing the Notes or Note Guarantees or secured by property

and assets that do not secure the Notes or Note Guarantees, to the extent of the value of the property and assets securing such Indebtedness (including the Senior Secured Notes, any borrowings under the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility and any secured Hedging Obligations); and

- be effectively subordinated to the Indebtedness and other obligations of Subsidiaries of Altice VII that do not Guarantee the Notes.

Payment under the Guarantees will be expressly subordinated in right of payment to the payment when due of all Senior Indebtedness of the Guarantors (including Indebtedness Incurred under the Revolving Credit Facilities, the Senior Credit Facility, the Senior Secured Notes, the Guarantee Facility and certain Hedging Obligations), the holders of which (or their representatives) are party to the Intercreditor Agreement or any Additional Intercreditor Agreement. As a result of this subordination, holders of such Senior Indebtedness of any Guarantor will be entitled to receive full payment on all obligations owed to them before any payment can be made to Holders of the Notes in respect of the Guarantees.

Subordination of the Notes Guarantees on the Basis of the Intercreditor Agreement

Each of the Notes Guarantees is a senior subordinated Guarantee, which means that, pursuant to the terms of the Intercreditor Agreement, each such Notes Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of the relevant Guarantor, the holders of which (or their representatives) are party to the Intercreditor Agreement or any Additional Intercreditor Agreement, including any obligations owed by the relevant Guarantor under the Senior Credit Facility, the Revolving Credit Facilities, the Senior Secured Notes, the Guarantee Facility and certain Hedging Obligations. The ability to take enforcement action against the Guarantors under their Notes Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Notes Guarantees, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. For a description of the restrictions imposed by the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*."

Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of a Guarantor would recover disproportionately more than the holders of the Notes recover in any insolvency or similar proceeding relating to such Guarantor. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes.

Further, the obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance under applicable law, or otherwise to reflect limitations under applicable law or capital maintenance regulations. See "*Risk Factors—Risks Relating to the Notes and the Structure—Corporate benefit and financial assistance laws and other limitations on the obligations under the Guarantees and the HOT Refinancing Note Guarantees may adversely affect the validity and enforceability of the Guarantees and the HOT Refinancing Note Guarantees*" *and* "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*".

As of March 31, 2013, on an as-adjusted consolidated basis after giving effect to the all of the Transactions and the issuance of the Notes offered hereby and incurrence of the loans under the Senior Credit Facility and the application of the proceeds therefrom, Altice VII and its Restricted Subsidiaries would have had outstanding €2,376.8 million (equivalent) aggregate principal amount of Indebtedness (excluding the Note Guarantees). As of March 31, 2013, on an as-adjusted basis after giving effect to all of the Transactions, the issuance of the Notes offered hereby and the application of the proceeds therefrom, the Issuer had €581.0 million of outstanding Indebtedness.

Each of Altice VII, Altice Holdings S.à r.l., Altice Pool S.à r.l., Altice West Europe S.à r.l., Altice Caribbean S.à r.l., NewCo OMT, Altice Portugal, ABO, Cool and H. Hadaros 2012, Ltd. is a holding company and does not conduct any operations and is wholly dependent on payments from its respective subsidiaries to meet its obligations, including the Senior Secured Notes Issuer's obligations under the Proceeds Loan and the Guarantors' obligations under their Notes Guarantees and their respective Finco Proceeds Loans.

Principal and Maturity

The Issuer issued €250 million aggregate principal amount of Notes on the Issue Date. The Notes will mature on June 15, 2023 at which time 100% of the principal amount of the Notes shall be payable, unless redeemed prior thereto as described herein. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate of 9.000% per annum. Interest on the Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;

- be payable in cash semi-annually in arrears on each January 15 and July 15, commencing on January 15, 2014;

- be payable to the holder of record of such Notes on January 1 and July 1 immediately preceding the related interest payment date; and

- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by Common Depositary or its nominee will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in London, United Kingdom. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*".

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London, United Kingdom (the "Principal Paying Agent"). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 regarding the taxation of savings income (the "Directive"), or any law implementing or complying with or introduced in order to conform to such Directive. The initial Paying Agent will be Citibank, N.A., London Branch.

The Issuer will also maintain one or more registrars (each, a "Registrar"). The initial Registrar will be Citigroup Global Markets Deutschland AG. The Issuer will also maintain a transfer agent. The initial transfer agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and will facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each transfer agent shall perform the functions of a transfer agent. Each Registrar shall provide a copy of the register and any update thereof to the Issuer and the Issuer shall maintain a register of the Notes at its registered office in order to comply with Luxembourg law (the "Duplicate Register"). In case of discrepancy between any register and the Duplicate Register, the Duplicate Register shall prevail for Luxembourg law purposes.

The Issuer may change any Paying Agents, Registrars or transfer agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules and the regulations of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes have been issued in the form of several registered notes in global form, without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "144A Global Notes").
    - The 144A Global Notes representing the Notes (the "144A Global Note"), were deposited with and registered in the name of the common depositary for the accounts of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") on the Issue Date.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Notes," and together with the 144A Global Notes, the "Global Notes").
    - The Regulation S Global Notes (the "Regulation S Global Note," and together with the 144A Global Note, the "Global Notes") will, on the closing date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to Investors". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of € 100,000 principal amount, as the case may be, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to Investors".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

The Note Guarantees

General

The Notes have not been guaranteed as of the Issue Date,. Although Altice VII is a party to the Indenture on the Issue Date for the purposes of the covenants described below, Altice VII's Note Guarantee will not be effective until the Senior Notes Transactions Completion Date. Following the Senior Notes Transactions Completion Date, the Notes will be Guaranteed by the Guarantors that grant a Notes Guarantee on such date on a senior subordinated basis for the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The Note Guarantees of Altice Portugal and Cabovisao, together with the guarantee by Cabovisao and Altice Portugal of the obligations under the Revolving Credit Facilities, the Senior Credit Facility, the Senior Secured Notes, the Original Issuer Notes, the Guarantee Facility, certain Hedging Obligations and certain future debt that we may incur, will be limited to €95 million (the "Portugal Guarantee Limit Amount").

On the Senior Notes Transactions Completion Date, the Notes will not benefit from a direct guarantee from HOT or any of its Subsidiaries or from NewCo OMT or any of its Subsidiaries.

The obligations of each Guarantor under its Note Guarantee are or will be, as applicable, contractually limited under the applicable guarantees to reflect limitations under applicable law with respect to maintenance of share capital applicable to such Guarantor and its shareholders, directors and general partners. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*".

The Issuer is a special purpose finance vehicle formed for the purpose of serving as the issuer of the Original Issuer Notes and the Notes and does not conduct, and will be prohibited by the Indenture from engaging in, any operations. On the Senior Notes Transactions Completion Date, the Issuer's only assets will be the shares it holds in the Senior Secured Notes Issuer and the Proceeds Loans made on (i) December 27, 2012 with the net proceeds of the offering of the Original Issuer Notes and (ii) on the Senior Notes Transactions with the net proceeds of the offering of the Notes. As a result, the Issuer is wholly dependent on payments from the Senior Secured Notes Issuer, including payments made by the Senior Secured Notes Issuer under the Proceeds Loans, to fund its obligations under the Notes.

The Senior Secured Notes Issuer is a special purpose finance vehicle formed for the purpose of serving as the issuer of the Senior Secured Notes and does not conduct, and is prohibited by the Indenture and the indenture governing the Senior Secured Notes from engaging in, any operations. Upon completion of the Senior Notes Transactions Completion Date, the Senior Secured Notes Issuer's only assets will be (i) the Finco Loans made on December 27, 2012 with the net proceeds of the offerings of Senior Secured Notes on such date and the Finco Loans made on the Senior Notes Transactions Completion Date with the net proceeds of the loans under the Senior Credit Facility, (ii) the Proceeds Loan Incurred on December 27, 2023 and on the Senior Notes Transactions Completion Date and (iii) cash in its bank accounts. As a result, the Senior Secured Notes Issuer is wholly dependent on payments from Altice VII and its Subsidiaries including payments made by the borrowers under the Finco Loans, to fund its obligations under the Senior Secured Notes and the loans under the Senior Credit Facility to the extent it does not otherwise have funds available to it.

The operations of each of Altice VII, Altice Holdings S.à r.l., Altice Pool S.à r.l., Altice West Europe S.à r.l., Altice Caribbean S.à r.l., NewCo OMT, Altice Portugal and Cool are conducted through their respective Subsidiaries and, therefore, each of Altice VII, Altice Holdings S.à r.l., Altice Pool S.à r.l., Altice West Europe S.à r.l., Altice

Caribbean S.à r.l., NewCo OMT, Altice Portugal and Cool depends on the cash flow of such Subsidiaries to meet its obligations, including its obligations under its Note Guarantee and the proceeds loan that will be Incurred by it on the Senior Notes Transaction Completion Date and the proceeds loan incurred by Cool on December 27, 2012, as the case may be. See "*Risk Factors—Risks Relating to the New Senior Notes and the Structure—Altice VII and most of the other Senior Notes Guarantors are holding companies and conducts no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet its obligations under the Senior Note Guarantees*."

Additional Note Guarantees

Altice VII may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (the "Additional Guarantors") by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with the Guarantors and each other Additional Guarantor, irrevocably guarantee (each guarantee, an "Additional Guarantee") on a senior subordinated basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Guarantor will be contractually limited under its Additional Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. Any Additional Guarantee issued by a Restricted Subsidiary shall be issued on substantially the same terms as the Note Guarantee of the Restricted Subsidiaries that become Guarantors on the Senior Notes Transactions Completion Date. For purposes of the Indenture and this "Description of Notes", references to the Note Guarantees include references to any Additional Guarantees and references to the Guarantors include references to any Additional Guarantors.

Releases of the Note Guarantees

The Note Guarantee of Altice VII may be released:

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- if Altice VII is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under "*—Merger and Consolidation—Altice VII*"; or
- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Note Guarantee of a Subsidiary Guarantor will terminate:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant Subsidiary Guarantor (whether by direct sale or sale of a holding company of such Subsidiary Guarantor) or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to Altice VII or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";
- upon the designation in accordance with the Indenture of that Subsidiary Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under "—*Amendments and Waivers*";

- as described under "—*Certain Covenants—Additional Guarantors*";

- with respect to any Subsidiary Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under "—*Merger and Consolidation—The Subsidiary Guarantors*"; or

- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Trustee and the Security Agent (as applicable) shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to such protections and indemnifications to which the Trustee and/or the Security Agent may be entitled under the Indenture or otherwise. Each of the releases set forth above shall be effective without the consent of the Holders or any action on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Notes Security

General

On the Senior Notes Transactions Completion Date, the Notes will be secured by:

- security interests granted on a first-priority basis over all of the Capital Stock of the Issuer (the "Issuer Share Pledge);

- a second-priority security interest over the Proceeds Loans made on December 27, 2012 and the Senior Notes Transactions Completion Date;

- a second-priority security interest over all of the Capital Stock of the Senior Secured Notes Issuer, Cool, and Altice Pool S.à r.l.;

- a second-priority security interest in the Subordinated Shareholder Loan; and

- in the event Altice Holding is the surviving entity in the merger between Altice Pool S.à r.l. and Altice Holding, as described under "*The Transactions*", a second-priority security interest over all of the Capital Stock of Altice Holding,

collectively, the "Notes Collateral."

The Notes Collateral will also secure the Original Issuer Notes and (other than the Issuer Share Pledge) will also secure Indebtedness under the Revolving Credit Facilities, the Senior Secured Notes, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations. The pledge agreements and the other security documents entered into on December 27, 2012 and to be entered into on the Senior Notes Transactions Completion Date in respect of the Notes Collateral are referred to as the "Security Documents". Any other additional security interests that may in the future be granted to secure the obligations under the Notes, the Note Guarantees and the Indenture would also constitute Notes Collateral.

Subject to certain conditions, including compliance with the covenants described under "—*Certain Covenants—Limitation on Liens*" and "—*Certain Covenants—Impairment of Security Interests*", Altice VII and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may be secured on the Notes Collateral, including any Additional Notes, additional Senior Secured Notes, additional Indebtedness under Credit Facilities and certain other Hedging Obligations, in each case, permitted under the Indenture.

The proceeds from the sale of the Notes Collateral remaining after sharing with other creditors entitled to share in such proceeds may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Notes Collateral have been made in connection with this offering of Notes. By its nature, some or all of the Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Notes Collateral may not be able to be sold in a short period of time, or at all. In addition, the Holders of the Notes will be subject to certain standstill provisions on enforcement of the Notes Collateral (other than the Issuer Share Pledge) pursuant to the

Intercreditor Agreement. Furthermore, the Intercreditor Agreement places limitations on the ability of the Security Trustee to release the security interests in some of the Notes Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—The Intercreditor Agreement*" and "*Risk Factors—Risks Relating to the New Senior Notes and the Structure—The value of the Senior Notes Collateral may not be sufficient to satisfy our obligations under the New Senior Notes and such Senior Notes Collateral may be reduced or diluted under certain circumstances which may be time consuming and cumbersome*".

The creditors under the Original Issuer Notes, the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility, the counterparties to the Hedging Obligations secured by the Notes Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably appointed the Security Trustee to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents. The creditors under the Original Issuer Notes, the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility, the counterparties to the Hedging Obligations secured by the Notes Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably authorized the Security Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Trustee on its behalf.

Security Documents

Under the Escrow Assignment, the Issuer granted a first ranking security interest over the Escrowed Property and the rights of the Issuer under the Escrow Agreement. Under the Security Documents entered into on December 27, 2012 and to be entered into on the Senior Notes Transactions Completion Date, the Issuer and Altice VII will grant security over the Notes Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents entered into on December 27, 2012 have been, and the Security Documents to be entered into on the Senior Notes Transactions Completion Date will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties referred to therein. When entering into the Security Documents, the Security Agent has acted and will act in its own name, but also as a representative of the secured parties (including the Holders from time to time). Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Original Issuer Notes, the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility, the counterparties under certain Hedging Obligations, and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties *provided* that the Notes Collateral subject to the Escrow Assignment will only secure the Notes and no other Indebtedness.

The Indenture provides that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, are secured by the security interest in the Notes Collateral that is created by the Security Documents and secures obligations under the Notes or the Note Guarantees and the Indenture (the "Security Interests"). Such Security Interests in the Notes Collateral also secure the obligations under the Original Issuer Notes and (other than the Issuer Share Pledge) also secure the obligations under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations and will secure certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by such Notes Collateral. The Issuer Share Pledge will also secure certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by the Issuer Share Pledge. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Note Collateral*" below. See "*Risk Factors—Risks Related to the New Senior Notes and the Structure—There are circumstances other than repayment or discharge of the Senior Notes Guarantees will be released automatically, without your consent or the consent of the Trustee*".

The Security Documents provide that the rights with respect to the Notes and the Note Guarantees must be exercised by the Security Agent. Because the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

In the event that the Issuer or other grantor of a security interest in the Notes Collateral enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Relating to the Notes and the Structure—Corporate benefit and financial assistance laws and other limitations on the obligations under the Senior Notes Guarantees may adversely affect the validity and enforceability of the Senior Notes Guarantees* and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*".

Release of Notes Collateral

The Issuer and the Guarantors will be entitled to release the Security Interests in respect of the Notes Collateral securing the Notes and the Note Guarantees under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of the Notes Collateral (other than the Issuer Share Pledge) to a Person that is not Altice VII or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", but only in respect of the Notes Collateral sold or otherwise disposed of;

(2) in connection with the release of a Guarantor from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if Altice VII designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement (see "*Description of Other Indebtedness—The Intercreditor Agreement—Restrictions on Enforcement*");

(6) as described under "*—Amendments and Waivers*", "*—Certain Covenants—Impairment of Security Interests*" and the second paragraph under "*—Certain Covenants—Limitation on Liens*";

(7) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;

(8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the Indenture, the Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; or

(9) in connection with a transaction permitted by the covenant described below under the caption "*—Certain Covenants—Merger and Consolidation*";

provided that, the Security Interests created by the Escrow Assignment may only be released upon release of the Escrowed Property from the Escrow Account in accordance with the terms of the Escrow Agreement.

Upon certification by the Issuer, the Trustee and the Security Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Agent and the Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

The Proceeds Loans

On December 27, 2012, the Issuer made a loan to the Senior Secured Notes Issuer, pursuant to a proceeds loan in aggregate principal amount of $425 million (the "Initial Proceeds Loan"). The Initial Proceeds Loan has been subordinated to the Obligations of the Issuer under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and its Hedging Obligations.

On Senior Notes Transactions Completion Date, the Issuer will make a loan to the Senior Secured Notes Issuer, pursuant to a proceeds loan in aggregate principal amount of €250 million (the "Additional Proceeds Loan" and, together with the Initial Proceeds Loan, the "Proceeds Loans"). The Additional Proceeds Loan will be subordinated to the Obligations of the Issuer under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations.

The Initial Proceeds Loan has been, and the Additional Proceeds Loan will be, assigned as Notes Collateral to secure the Obligations of the Issuer and the Guarantors under the Notes and the Note Guarantees on a junior basis and to secure the Obligations of the Senior Secured Notes Issuer under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and its Hedging Obligations on a senior basis.

Intercreditor Agreement

The relative priority among (a) the lenders under the Revolving Credit Facilities, (b) the lenders under the Guarantee Facility, (c) the lenders under the Senior Credit Facility, (d) the counterparties under certain Hedging Obligations secured on the Notes Collateral, (e) the holders of the Senior Secured Notes, (f) the holders of the Original Issuer Notes and (g) the Trustee and the Holders of the Notes under the Indenture with respect to the Security Interests in the Notes Collateral is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents, and the security documents relating to the Revolving Credit Facilities, the Senior Credit Facility, such Hedging Obligations, the Guarantee Facility and the Senior Secured Notes, which provide, among other things, that:

(i) the obligations under the Senior Secured Notes, the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations are secured equally and ratably by a first-priority interest in the Notes Collateral; *provided* that any liabilities in respect of obligations under the Revolving Credit Facilities and such Hedging Obligations will receive priority with respect to any proceeds received from any enforcement of the security over any Notes Collateral and certain distressed disposals of the Notes Collateral; and

(ii) the obligations under the Notes and the Note Guarantees and the Original Issuer Notes and guarantees thereof will be secured by second-priority interests in the Notes Collateral (other than the Issuer Share Pledge).

The Issuer Share Pledge will only secure the obligations under the Notes, the Note Guarantees and certain other Pari Passu Indebtedness that is permitted to be secured thereby including the Original Issuer Notes and guarantees thereof.

The Indenture and the Intercreditor Agreement restrict the ability of the Holders of the Notes or the Trustee to instruct the Security Trustee to enforce the security interests over the Notes Collateral (other than the Issuer Share Pledge) and provide for the release of the Security Interests in certain circumstances upon enforcement by the lenders under the Revolving Credit Facilities, the lenders under the Guarantee Facility, the lenders under the Senior Credit Facility or the holders of our other senior secured debt, including the Senior Secured Notes. In general, the rights of the security trustee under the Intercreditor Agreement (acting on its own behalf or on behalf of the Holders) to take enforcement action under the Security Documents (other than the Issuer Share Pledge) with respect to the Notes Collateral are subject to certain standstill provisions similar to those that apply to the Note Guarantees and other limitations on enforcement.

Please see the section entitled "*Description of Other Indebtedness—The Intercreditor Agreement*". In addition, in connection with the Incurrence of certain Indebtedness that is permitted by the Indenture to be secured on the Collateral, the Issuer will enter into Additional Intercreditor Agreements in compliance with the Indenture on substantially the same terms as the Intercreditor Agreement. See "*—Certain Covenants—Impairment of Security Interest*" and "*—Additional Intercreditor Agreements; Agreement to Be Bound*".

The Indenture provides that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Additional Intercreditor Agreements; Agreement to Be Bound

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement and to have authorized the Trustee and the Security Agent to enter into any such Intercreditor Agreement or any such Additional Intercreditor Agreement.

Restricted Subsidiaries and Unrestricted Subsidiaries

On December 27, 2012, the Senior Secured Notes Issuer and all of Cool's Subsidiaries were Restricted Subsidiaries, on the Senior Notes Transactions Completion Date all of Altice VII's Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", Altice VII will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer entered into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers deposited with the Escrow Agent an amount equal to the gross proceeds of this offering of the Notes into the Escrow Account. The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "Escrowed Property." The Escrowed Property is controlled by, and pledged on a first ranking basis in favor of, the Trustee on behalf of the Holders of the Notes.

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "Release"), the Escrow Agent and the Trustee shall have received from the Issuer, on or before the Escrow Longstop Date, an officer's certificate, in the form attached to the Escrow Agreement, to the effect that:

(1) each of the Fold-In, the Cabovisao Refinancing and the Coditel Refinancing will occur concurrently with or promptly after the release of the Escrowed Property;

(2) (x) all indebtedness incurred by the Issuer on the Escrow Release Date would have been permitted by the covenants in the Indenture and the indenture governing the Original Issuer Notes and (y) all indebtedness incurred by the Senior Secured Notes Issuer on the Escrow Release Date would have been permitted by the covenants in the Indenture, the indenture governing the Original Issuer Notes, the Senior Secured Notes Indenture, the Revolving Credit Facilities, the Guarantee Facility and the Senior Credit Facility;

(3) those documents, legal opinions and certificates attached as exhibits to the Escrow Agreement that are required to be delivered on the date of Release have been delivered, or will be delivered promptly after such release, in accordance with the terms of the Escrow Agreement;

(4) to the extent borrowings under the Senior Credit Facility are required to consummate the transactions being completed on the Senior Notes Transactions Completion Date, the Senior Secured Notes Issuer shall have received proceeds of such borrowings on or about the date of the Release; and

(5) as of the Senior Notes Transactions Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer, the Senior Secured Notes Issuer, Altice VII or any of its Significant Subsidiaries.

The Release will occur promptly upon the satisfaction of the conditions set forth above. Upon the Release, the Escrowed Property will be paid out in accordance with the Escrow Agreement and the Escrow Account will be reduced to zero.

In the event that (a) the Senior Notes Transactions Completion Date does not take place on or prior to the Escrow Longstop Date, (b) at any time prior to the Escrow Longstop Date, the Permitted Holders cease to beneficially own and control a majority of the issued and outstanding Capital Stock of Altice VII, 100% of the issued and outstanding Capital Stock of the Senior Secured Notes Issuer and 100% of the issued and outstanding Capital Stock of the Issuer; or (c) there is there an event of bankruptcy, insolvency or court protection with respect to the Altice VII, HOT, the Senior Secured Notes Issuer or the Issuer on or prior to the Escrow Longstop Date (the date of any such event being the "Special Termination Date"), the Issuer will redeem all of the Notes (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 100% of the initial issue price of each Note, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below and subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "Special Mandatory Redemption Date"). On or before the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Principal Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

On the Issue Date, Altice VII entered into a guarantee agreement pursuant to which it guarantees the Issuer's obligations under the Notes in the event the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property.

To secure the payment of the Special Mandatory Redemption Price, the Issuer granted to the Trustee for the benefit of the Holders of the Notes a security interest in the Escrow Account.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Optional Redemption

Except as described below and except as described under "*Redemption for Changes in Withholding Taxes*", and "*Escrow of Proceeds, Special Mandatory Redemption*", the Notes are not redeemable until June 15, 2018. On and after June 15, 2018 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on June 15 of the years indicated below:

Year	Redemption Price
2018	104.500%
2019	103.000%
2020	102.250%
2021 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to June 15, 2016, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Notes (including the principal amount of any Additional Notes), upon not less than 30 nor more than 60 days' notice, with funds in an aggregate amount (the "Redemption Amount") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 109.000% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to June 15, 2018, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Sinking Fund

Except as described under "*Escrow of Proceeds; Special Mandatory Redemption*", the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, or if the Notes are not so listed or such exchange prescribes no method of selection, based on a method that most nearly approximates a *pro rata* selection as the Trustee deems fair and appropriate or by lot or such other similar method in accordance with the procedures of Euroclear and Clearstream; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of € 1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, not less than 30 nor more than 60 days prior to the redemption date, the Issuer will mail notice of redemption to Holders by first- class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Changes in Withholding Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer or any Guarantor is or would be required to pay Additional Amounts, and (a) the Issuer or the relevant Guarantor cannot avoid such requirement by taking reasonable measures available to it (including the designation of a different Paying Agent), (b) in the case of a Guarantor, such amounts cannot be paid by the Issuer or any other Guarantor who in turn can pay such amounts without the obligation to pay Additional Amounts and (c) the requirement arises as a result of:

(1) any amendment to, or change in, the laws (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction (as defined in "—Withholding Taxes" below) which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that (a) it or the relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or the relevant Guarantor taking reasonable measures available to it and (b) in the case of a Guarantor, the amounts giving rise to such obligation cannot be paid by the Issuer or any other Guarantor without the obligation to pay Additional Amounts.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

Withholding Taxes

All payments made under or with respect to the Notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax ("Taxes") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (each, a "Tax Jurisdiction") will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than connections arising from the holding of such Note or any Note Guarantee, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;

(8) all United States federal backup withholding taxes;

(9) any U.S. federal withholding Taxes imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986 (as amended), as of the date of the indenture (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof; or

(10) any combination of items (1) through (9) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (10) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5) or (7) through (9) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes (and any political subdivision or governmental authority thereof or therein having power to tax) and any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes or any Note Guarantee and any political subdivision thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "Change of Control", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this heading, "Change of Control", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "Change of Control Offer") to each Holder of any such Notes by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) and the record date (the "Change of Control Payment Date");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and

(7) certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See "*Risk Factors—Risks Relating to the Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control (as defined in the Indentures) as required by the Indentures*".

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly instruct its authenticating agent to authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of € 1,000 in excess thereof.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire Altice VII or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The provisions of the Indenture will not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with Altice VII's management or its Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of Altice VII by management or its Affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. Future Indebtedness of the Issuer, Altice VII or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's, Altice VII's and the Restricted Subsidiaries' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the New Senior Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase your New Senior Notes upon the occurrence of certain events constituting a change of control (as defined in the New Indenture) as required by the New Indenture*".

The definition of "Change of Control" includes a direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the property and assets of Altice VII and its Restricted Subsidiaries taken as a whole to a Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)), other than a Permitted Holder. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

Offer to Repurchase with Minority Shareholder Option Proceeds

Pursuant to the Minority Shareholder Call Options granted under the Minority Shareholder Purchase Agreements, each Minority Shareholder is entitled to re-acquire all or a portion of the shares of HOT sold by it to Cool in connection with the Take-Private Transaction at an exercise price equal to NIS 48 per share (subject to customary anti-dilution rights and purchase price adjustments) during the two-year period commencing on the first anniversary of the completion date of the Original HOT Transactions. Subject to certain limitations, each Minority Shareholder Call Option may be exercised in up to three transactions. See "*The Transaction—Minority Shareholder Agreements*". The transfer of shares of Capital Stock of HOT upon any exercise of a Minority Shareholder Call Option will not be deemed to be an Asset Disposition under the Indenture. However, to the extent such proceeds are not used by the Senior Secured Notes Issuer to redeem the Senior Secured Notes, the Issuer will be required to offer to repurchase the Notes with the Net Cash Proceeds of such exercise as described below.

Any Net Cash Proceeds received by the Issuer, the Company or any Restricted Subsidiary from any Minority Shareholder Option Exercise and not otherwise applied to repurchase the Senior Secured Notes pursuant to the "Redemption with Minority Shareholder Option Proceeds" covenant in the indenture governing the Senior Secured Notes will constitute "Minority Shareholder Option Proceeds". When the aggregate amount of Minority Shareholder Option Proceeds exceeds NIS 100 million (the "Minority Shareholder Option Offer Threshold"), the Issuer will be required within 35 Business Days to make an offer (a "Minority Shareholder Option Proceeds Offer") to all holders of Notes and, to the extent the Issuer elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which such Minority Shareholder Option Proceeds Offer applies that may be purchased out of the Applicable Minority Shareholder Option Proceeds Offer Amount, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 103% of the principal amount of the Notes and 103% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof, *provided* that the Minority Shareholder Option Offer Threshold shall not apply in the event that (i) at the time of receipt of such Minority Shareholder Option Proceeds, all Minority Shareholder Call Options have been exercised in full, (ii) all unexercised Minority Shareholder Call Options have expired pursuant to the terms of the relevant Minority Shareholder Purchaser Agreements or (iii) all unexercised Minority Shareholder Call Options have been terminated.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Minority Shareholder Option Proceeds Offer is less than the Minority Shareholder Option Proceeds, the Issuer, Altice VII and its Restricted Subsidiaries may use any remaining Minority Shareholder Option Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Minority Shareholder Option Proceeds Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the Minority Shareholder Option Proceeds, the Minority Shareholder Option Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro

Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below).

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Minority Shareholder Option Proceeds Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Minority Shareholder Option Proceeds Offer Period"). No later than five (5) Business Days after the termination of the Minority Shareholder Option Proceeds Offer Period (the "Minority Shareholder Option Proceeds Purchase Date"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "Minority Shareholder Option Offer Amount") or, if less than the Minority Shareholder Option Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Minority Shareholder Option Proceeds Offer.

On or before the Minority Shareholder Option Proceeds Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Minority Shareholder Option Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Minority Shareholder Option Proceeds Offer, or if less than the Minority Shareholder Option Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Minority Shareholder Option Proceeds Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

Certain Covenants

Limitation on Indebtedness

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that:

(1) the Senior Secured Notes Issuer may Incur Senior Secured Indebtedness if on the date on which such Senior Secured Indebtedness is Incurred, the Consolidated Senior Secured Leverage Ratio would have been no greater than 3.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Senior Secured Indebtedness had been incurred at the beginning of the relevant period; and

(2) the Issuer may Incur Pari Passu Indebtedness if on the date of such Incurrence and after giving effect thereto on a pro forma basis the Consolidated Leverage Ratio would not exceed 4.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Pari Passu Indebtedness had been incurred at the beginning of the relevant period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of €100 million and 4.0% of Total Assets; *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by Altice VII or any Restricted Subsidiary of Indebtedness of Altice VII or any Restricted Subsidiary to the extent such guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or such Note Guarantee, as applicable, substantially to the same extent as such guaranteed Indebtedness and (ii) if such guarantee is of Indebtedness of the Issuer or a Guarantor, such Restricted Subsidiary complies with the second paragraph of the covenant described under "—*Additional Guarantors*"; or (b) without limiting the covenant described under "—*Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to Altice VII or any Restricted Subsidiary securing Indebtedness of Altice VII or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is not prohibited by the terms of the Indenture;

(3) Indebtedness of Altice VII owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary; *provided*, *however*, that:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in connection with cash management positions of Altice VII and the Restricted Subsidiaries and (ii) only to the extent legally permitted (Altice VII and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor;

(i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than Altice VII or a Restricted Subsidiary; and (ii) and any sale or other transfer of any such Indebtedness to a Person other than Altice VII or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by Altice VII or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) issued on the Issue Date and the Note Guarantees thereof, issued on the Senior Notes Transactions Completion Date, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date, after giving effect to the Transactions and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Account), (c) Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise Incurred in respect of any, Indebtedness described in sub-clauses (a), (b) or (c) of this clause (4) or clauses (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (e) Management Advances and (f) Indebtedness represented by the Security Documents, the HOT Security Documents, the OMT Proceeds Loans Security Documents and, including, with respect to each such Indebtedness "parallel debt" obligations created under the Intercreditor Agreement, the Security Documents, the HOT Security Documents and the OMT Proceeds Loans Security Documents;

(5) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Altice VII or a Restricted Subsidiary; *provided*, *however*, that immediately following the consummation of such acquisition or other transaction, (i) if such Indebtedness is Senior Secured Indebtedness, the Senior Secured Notes Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant and (ii) if such Indebtedness is not Senior Secured Indebtedness, the Issuer would have been able to Incur €1.00 of in additional Indebtedness pursuant to the first paragraph of this covenant, each case, after giving pro forma effect to the relevant acquisition or other transaction and the Incurrence of such Indebtedness pursuant to this clause (5);

(6) [Reserved];

(7) (a) Indebtedness under Currency Agreements (other than Currency Agreements described in (b) below), Interest Rate Agreements and Commodity Hedging Agreements and (b) Indebtedness under Currency Agreements entered into in order to hedge any operating expenses and capital expenditures Incurred in the ordinary course of business so long as (i) such operating expenses and capital expenditures are denominated in Euro or U.S. dollars and (ii) the term of any such Currency Agreement is not more than 360 days; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of Altice VII or the Restricted

Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(8) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8) and then outstanding, will not exceed at any time outstanding the greater of €75 million and 2.5% of Total Assets so long as such Indebtedness exists on the date of such purchase, design, construction, installation or improvement, or is Incurred within 180 days thereafter;

(9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by Altice VII or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(10) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of Altice VII and the Restricted Subsidiaries in respect of all such Indebtedness in connection with such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by Altice VII and the Restricted Subsidiaries in connection with such disposition;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(12) Indebtedness under daylight borrowing facilities incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;

(13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of Altice VII in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by Altice VII and the Restricted Subsidiaries from the issuance or sale (other than to Altice VII or a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of Altice VII, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" to the extent Altice VII or a Restricted Subsidiary incurs Indebtedness in reliance thereon and (ii) any Net Cash

Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent Altice VII or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "—*Certain Covenants—Limitation on Restricted Payments*" in reliance thereon;

(15) Indebtedness (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed the greater of € 100 million and 4.0% of Total Assets.

Notwithstanding the foregoing, for so long as NewCo OMT is not a Guarantor, NewCo OMT and its Subsidiaries shall not be permitted to Incur more than €30 million of Indebtedness at any time outstanding excluding any Indebtedness referred to in clauses (2)(a) (to the extent the Guarantee(s) relate to Indebtedness Incurred under clause (3) above), (3), (4)(c), (5), (8), (9), (10) and (11) of the second paragraph of this covenant.

In the event the Issuer Incurs any Indebtedness pursuant to the first paragraph of this covenant or clauses (4)(d), (8), (14) or (15) of the second paragraph of this covenant, the Issuer will substantially concurrently with the Incurrence of such Indebtedness (or in the case of any Indebtedness the proceeds of which are deposited into an escrow account or similar arrangement pending the occurrence of one or more events, concurrently with the release of such proceeds from such escrow account or similar arrangement (other than in the case that such proceeds are returned to the holders of, or lenders under, such Indebtedness pursuant to the terms of such escrow account or similar arrangement)), make one or more Proceeds Loans to one or more Guarantors with all or substantially all of the net proceeds of the Incurrence of such Indebtedness by the Issuer.

In the event the Senior Secured Notes Issuer Incurs any Indebtedness pursuant to the first paragraph of this covenant or clauses (4)(c), (8), (14) or (15) of the second paragraph of this covenant, the Senior Secured Notes Issuer will substantially concurrently with the Incurrence of such Indebtedness (or in the case of any Indebtedness the proceeds of which are deposited into an escrow account or similar arrangement pending the occurrence of one or more events, concurrently with the release of such proceeds from such escrow account or similar arrangement (other than in the case that such proceeds are returned to the holders of, or lenders under, such Indebtedness pursuant to the terms of such escrow account or similar arrangement)), make one or more Finco Proceeds Loans to one or more Guarantors or (prior to the HOT Direct Obligation Event) to HOT and any of its Subsidiaries that are HOT Proceeds Note Guarantors (so long as HOT or such Subsidiary grants a Lien over its material assets and, in the case of such Subsidiary provides a HOT Proceeds Note Guarantee, in the amount of such additional Proceeds Loan) with all or substantially all of the net proceeds of the Incurrence of such Indebtedness by the Senior Secured Notes Issuer.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that Indebtedness incurred under clause (1) of the second paragraph of the description of this covenant cannot be reclassified;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of Altice VII or a Restricted Subsidiary, or Preferred Stock of Altice VII or a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated Senior Secured Leverage Ratio or the Consolidated Leverage Ratio on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Senior Secured Leverage Ratio or the Consolidated Leverage Ratio to test compliance with any covenant in the Indenture, in determining the amount of Indebtedness outstanding in euro on any date of determination, with respect to any Indebtedness denominated in a currency other than euro (the "Foreign Currency"):

(1) subject to a currency swap arrangement or contract, the aggregate principal amount of such Foreign Currency Indebtedness on any such date of determination shall be the euro amount of the aggregate principal amount to be paid by the Issuer or a Note Guarantor on the maturity date of such currency swap arrangement or contract pursuant to the terms thereof; or

(2) subject to a currency forward arrangement, forward accretion curve or contract, the aggregate principal amount of such Foreign Currency Indebtedness shall be converted into euro at the exchange rate specified under the terms of such currency forward arrangement, forward accretion curve or contract as applicable to such Foreign Currency Indebtedness on such date of determination.

For the avoidance of doubt, notwithstanding a Group member entering into any such arrangement or contract hedging foreign exchange exposure of any Foreign Currency Indebtedness, for the purposes of calculating the Consolidated Senior Secured Leverage Ratio or the Consolidated Leverage Ratio, the aggregate principal amount of

Indebtedness subject to any such arrangement or contract shall be attributed to the total Indebtedness of the Person that originally Incurred such Indebtedness.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that Altice VII or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Restricted Payments

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of or in respect of Altice VII's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving Altice VII or any Restricted Subsidiary) except:

(a) dividends or distributions payable in Capital Stock of Altice VII (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of Altice VII (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to Altice VII or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than Altice VII or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or Altice VII) any (a) Capital Stock of Altice VII or any direct or indirect Parent of Altice VII held by Persons other than Altice VII or a Restricted Subsidiary (other than in exchange for Capital Stock of Altice VII (other than Disqualified Stock)) or (b) Capital Stock of HOT (including the Minority Shareholder Call Options) held by any party to a Minority Shareholder Purchase Agreement (other than Cool);

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement; and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time Altice VII or a Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made by Altice VII and the Restricted Subsidiaries subsequent to the Original Issuer Notes Issue Date (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the immediately succeeding paragraph), (6), (10), (16) and (17) of the immediately succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) an amount equal to 100% of the Consolidated EBITDA for the period beginning on the first day of the first full fiscal quarter commencing prior to the Original Issuer Notes Issue Date to the end of Altice VII's most recently ended full fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of Altice VII are available (or, if prior to the fiscal quarter ended December 31, 2013 and such statements are not available, consolidated combined financial statements of Altice VII and the Restricted Subsidiaries), taken as a single accounting period, less the product of 1.5 times the Consolidated Interest Expense for such period;

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice VII subsequent to the Notes Issue Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph and (y) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII or any Restricted Subsidiary from the issuance or sale (other than to Altice VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) by Altice VII or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of Altice VII (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by Altice VII or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph and (y) Excluded Contributions;

(iv) the amount equal to the net reduction in Restricted Investments made by Altice VII or any of the Restricted Subsidiaries resulting from repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than Altice VII or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to Altice VII or any Restricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Issue Date; *provided*, *however*, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv);

(v) the amount of the cash and the fair market value (as determined in accordance with the last paragraph of this covenant) of property, assets or marketable securities received by Altice VII or any Restricted Subsidiary in connection with:

(A) the sale or other disposition (other than to Altice VII or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to Altice VII or a Restricted Subsidiary;

which Unrestricted Subsidiary was designated as such after the Issue Date; *provided*, *however*, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v); and

(vi) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to Altice VII or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into a Altice VII or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the last paragraph of this covenant) of any property, assets or marketable securities received by Altice VII or Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding any amount of any Investment in such Unrestricted Subsidiary pursuant to clause (16) of the definition of "Permitted Investment", in each case of this clause (vi), which Unrestricted Subsidiary was designated as such after the Issue Date; *provided however,* that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (vi); *provided further, however*, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to Altice VII or a Subsidiary of Altice VII) of, Capital Stock of Altice VII (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of Altice VII; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property, assets or marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph and for purposes of the "Optional Redemption" provisions of the Indenture;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of Altice VII or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Preferred Stock of Altice VII or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Cash Proceeds of the Minority Shareholder Option Exercises permitted under "*—Offer to Repurchase with Minority Shareholder Option Proceeds*" above and from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "*—Offer to Repurchase with Minority Shareholder Option Proceeds*" above and "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if required, if the Issuer shall have first complied with the terms described under "Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by Altice VII or a Restricted

Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and at a purchase price not greater than 100% of the principal amount of such Acquired Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of Altice VII, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by Altice VII to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Altice VII, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Altice VII, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €8 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Restricted Payments made under this clause (6) do not exceed €15 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by Altice VII or the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice VII from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph of this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—*Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by Altice VII or any Restricted Subsidiary in amounts equal to (without duplication) the amounts required for any Parent to pay:

(a) any Parent Expenses or any Related Taxes; and

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2) (with respect to fees and expenses incurred in connection with the transactions described therein) and (11) of the second paragraph under "—*Limitation on Affiliate Transactions;*"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by Altice VII of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of Altice VII or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by Altice VII from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of Altice VII or contributed as Subordinated Shareholder Funding to Altice VII and (b) following the Initial Public Offering, an amount equal to the greater of (i) 5% of the Market Capitalization and (ii) 5% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.5 to 1.0; *provided*, *further*, that if such Public Offering was of Capital Stock of a Parent, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent;

(11) payments by Altice VII, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of Altice VII or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(14) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(15) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of Altice VII issued after the Issue Date; *provided*, *however*, that the amount of all dividends declared or paid by Altice VII pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by Altice VII from the issuance or sale of such Designated Preference Shares;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that the Consolidated Leverage Ratio does not exceed 2.75 to 1.0 on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed €75 million; and

(18) Restricted Payments in an aggregate amount not to exceed the Vendor Note Amount; *provided* that on the date on which a Restricted Payment pursuant to this clause (18) is made, the Issuer is able to incur €1.00 of Indebtedness pursuant to the first paragraph or clauses (1) or (15) of the covenant described under "*—Limitation on Indebtedness*" above.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by Altice VII or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment or any other property, assets or securities required to be valued by this covenant shall be determined conclusively by an Officer or the Board of Directors of Altice VII acting in good faith.

Limitation on Liens

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of their property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Notes Collateral, (i) Permitted Liens or (ii) Liens on assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (b) in the case of any property or assets that constitutes Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (ii) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Note Collateral*."

No Layering of Debt

The Issuer will not Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under "*—Limitation on Indebtedness*") that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms (as determined in good faith by the Issuer); *provided*, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.

No Guarantor will Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under "*—Limitation on Indebtedness*") that is contractually subordinated in right of payment to any Senior Indebtedness of such Guarantor and senior in right of payment to such Guarantor's Note

Guarantee; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any Senior Indebtedness of any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of Altice VII or any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to Altice VII or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to Altice VII or any Restricted Subsidiary;

(B) make any loans or advances to Altice VII or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to Altice VII or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to Altice VII or any Restricted Subsidiary to other Indebtedness Incurred by Altice VII or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to any Credit Facility or any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (other than the Minority Shareholder Purchase Agreements), and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Issuer);

(2) the Minority Shareholder Purchase Agreements as in effect on the Original Issuer Notes Issue Date;

(3) encumbrances or restrictions existing under or by reason of the Indenture, the Notes, the Note Guarantees, the Senior Secured Notes Indenture, the Senior Secured Notes and the Guarantees thereof, the indenture governing the Original Issuer Notes, the Original Issuer Notes and the Guarantees thereof, the Coditel Mezzanine Facility, the Coditel Senior Credit Facility, the Coditel Intercreditor Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Escrow Agreement, the Security Documents, the Senior Secured Notes Security Documents, the HOT Proceeds Note, the HOT Security Documents, the HOT Credit Facility, the OMT Proceeds Loans and each OMT Proceeds Loans Security Document, the Finco Loans (other than the HOT Proceeds Note) and the Proceeds Loan.

(4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which (i) such Person was acquired by or merged, consolidated or otherwise combined with or into Altice VII or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by Altice VII or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (*provided* that its direct or indirect Parent becomes a Restricted Subsidiary on such date) (in each case, other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by Altice VII or was merged, consolidated or otherwise combined with or into Altice VII or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (4), if another Person is the Successor Company (as defined under "—*Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by Altice VII or any Restricted Subsidiary when such Person becomes the Successor Company;

(5) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clause (1), (3) or (4) of this paragraph or this clause (5) (an

"Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (3) or (4) of this paragraph or this clause (5); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

(6) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of Altice VII or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements;

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of Altice VII or any Restricted Subsidiary; or

(d) pursuant to the terms of any license, authorization, concession or permit;

(7) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(8) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(9) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(10) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, governmental license or order, or required by any regulatory authority;

(11) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(12) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facilities on the Issue Date, together with the security documents associated therewith, if any, and the Intercreditor Agreement as in effect on or immediately prior to the Senior Notes Transactions Completion Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions (x) will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they become due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

(14) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(15) any encumbrance or restriction existing by reason of any Lien permitted under "—*Limitation on Liens*".

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not and will not permit the Senior Secured Notes Issuer to make any Finco Asset Sale.

Subject to the immediately preceding paragraph, Altice VII will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) Altice VII or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by an Officer or the Board of Directors of the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition or such series of related Asset Dispositions (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by Altice VII or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents.

After the receipt of Net Available Cash from an Asset Disposition, Altice VII or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of Altice VII or such Restricted Subsidiary):

(a) (i) to prepay, repay, purchase or redeem any Senior Indebtedness within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), Altice VII or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer that is secured in whole or in part by a Lien on the Notes Collateral, which Lien ranks *pari passu* with the Liens securing the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall prepay, redeem, repay or repurchase Pari Passu Indebtedness pursuant to this clause (ii) only if the Issuer makes an offer to the holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or (iv) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(b) to the extent Altice VII or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by Altice VII or another Restricted Subsidiary) within 395 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment or commitment to invest is consummated within 180 days of such 395th day;

(c) to make a capital expenditure within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 395th day; or

(d) any combination of the foregoing,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, Altice VII and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". On the 396th day (or the 576th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €25 million, the Issuer will be required within ten (10) Business Days thereof to make an offer ("Asset Disposition Offer") to all holders of Notes and, to the extent the Issuer elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer, the Senior Secured Notes Issuer and Altice VII may use any remaining Excess Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of Altice VII or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of Altice VII or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by Altice VII or any Restricted Subsidiary from the transferee that are converted by Altice VII or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition, to the extent of the cash received;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that Altice VII and each other Restricted Subsidiary (as applicable) are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer or a Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not Altice VII or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by Altice VII or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €45.0 million and 1.5% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of Altice VII (any such transaction or series of related transactions being "Affiliate Transactions") involving aggregate value in excess of €5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to Altice VII or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €25 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; *provided* that an Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—*Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under "—*Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (17) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of Altice VII, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees,

directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among Altice VII and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Altice VII, Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of Altice VII, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of Altice VII or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time (including, without limitation, to add additional Persons in connection with any such Person becoming a Restricted Subsidiary) in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services and Associates, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to Altice VII or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of Altice VII or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among Altice VII or any Restricted Subsidiary and any Affiliate of Altice VII or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because Altice VII or a Restricted Subsidiary or any Affiliate of Altice VII or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of Altice VII or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of Altice VII in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) without duplication in respect of payments made pursuant to the definition of Parent Expenses, (a) payments by Altice VII or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed an amount equal to €5 million per year; (b) customary payments by Altice VII or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith; and (c) payments of all fees and expenses related to the Transactions; and

(12) any transaction effected as part of a Qualified Receivables Financing.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange.

Reports

For so long as any Notes are outstanding, Altice VII will provide to the Trustee the following reports:

(1) within 120 days after the end of Altice VII's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to the Offering Memorandum, the following information: audited consolidated balance sheet of Altice VII as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of Altice VII for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements (*provided* that for any fiscal year ended prior to the Issue Date, Altice VII can provide *pro forma* financial statements prepared on a basis consistent with the *pro forma* information contained in "Pro Forma" section of this Offering Memorandum to meet the requirements set forth above); unaudited *pro forma* income statement information and balance sheet information of Altice VII (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for (i) any acquisition or disposition by Altice VII or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of Altice VII on a *pro forma* consolidated basis or (ii) recapitalizations by Altice VII or a Restricted Subsidiary, in each case, that have occurred since the beginning of the most recently completed fiscal year (unless such *pro forma* information has been provided in a prior report pursuant to clause (2) or (3) below); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of Altice VII, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of Altice VII, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments (to the extent not previously reported pursuant to clause (2) or (3) below).

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of Altice VII beginning with the quarter ending June 30, 2013, all quarterly reports of Altice VII containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow for the most recent quarter year-to-date period ending on the date of the unaudited condensed balance sheet, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any acquisition or disposition by Altice VII or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the relevant quarter, represent greater than 20% of the consolidated revenues, EBITDA, or assets of Altice VII on a *pro forma* consolidated basis (unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments (to the extent not previously reported pursuant to clause (3) below); *provided*, that for any report required to be delivered pursuant to this clause (2) for any quarterly period ended prior to March 31, 2014, Altice VII can meet its obligations hereunder by delivering the reports for such quarterly period that the Issuer provides to holders of the Original Issuer Notes; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any change in a senior executive officer or the Board of Directors of Altice VII or change in auditors of Altice VII, or any other material event that Altice VII or any Restricted Subsidiary announces publicly, a report containing a description of such event.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for Altice VII or Subsidiaries of Altice VII or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time any Subsidiary of Altice VII is an Unrestricted Subsidiary and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the first paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of Altice VII and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Altice VII.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) of the first paragraph of this covenant, Altice VII shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer, Altice VII and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by Altice VII in good faith) or (b) to the extent Altice VII determines in good faith that such reports cannot be made available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes. Altice VII will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the Issuer's registered office in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer

The Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer taken as a whole in one or more related transactions, to another Person.

Senior Secured Notes Issuer

The Senior Secured Notes Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Senior Secured Notes Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Senior Secured Notes Issuer taken as a whole in one or more related transactions, to another Person.

Altice VII

Altice VII will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") (if not Altice VII) will be a Person organized and existing under the laws of any member state of the European Union, the State of Israel or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not Altice VII) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of Altice VII under the Notes and the Indenture and (b) all obligations of Altice VII under the Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of applicable four-quarter period, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of Altice VII, which properties and assets, if held by Altice VII instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of Altice VII on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of Altice VII.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Altice VII under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and clause (4) of the second paragraph of this covenant (which does not apply to transactions referred to in this sentence in which Altice VII is the Successor Company), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to Altice VII (so long as Altice VII is a Guarantor); (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary (so long as such Restricted Subsidiary is a Guarantor); and (c) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary or Altice VII. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the second paragraph of this covenant, Altice VII may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of Altice VII, reincorporating Altice VII in another jurisdiction or changing the legal form of Altice VII.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the second paragraph of this "Merger and Consolidation" covenant) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

The Subsidiary Guarantors

None of the Subsidiary Guarantors (other than the Senior Secured Notes Issuer and a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it;

unless:

(A) the other Person is Altice VII or Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction; or

(B) (1) either (x) a Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement and Security Documents, as applicable; and

(2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to Altice VII or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor and (b) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor reincorporating the Guarantor in another jurisdiction, or changing the legal form of the Guarantor.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

Limitation on Issuer and Senior Secured Notes Issuer Activities

Notwithstanding anything contained in the Indenture:

(1) The Issuer will not, and will not permit the Senior Secured Notes Issuer to, engage in any business activity or undertake any other activity, except any such activity:

(a) reasonably relating to the offering, sale, issuance, Incurrence, servicing, purchase, redemption, amendment, exchange, refinancing or retirement of or Investment in the Notes, the Senior Secured Notes, any Additional Notes or other Indebtedness (including any Refinancing Indebtedness in respect of any of the foregoing) permitted to be Incurred by the terms of the Indenture or the Senior Secured Notes Indenture (including the lending, directly or indirectly, of the proceeds of such sale of the Notes, the Senior Secured Notes any Additional Notes or other Indebtedness permitted by the terms of the Indenture or the Senior Secured Notes Indenture pursuant to the Finco Proceeds Loans and the Proceeds Loan or borrowing directly or indirectly from Altice VII or any Restricted Subsidiary);

(b) undertaken with the purpose of, directly or indirectly, fulfilling its obligations or exercising its rights under the Notes, the Senior Secured Notes, any Additional Notes, the Original Issuer Notes, the Finco Proceeds Loans, the Proceeds Loan, any Additional Notes or other Indebtedness, Hedging Obligations or any other obligations (including any Refinancing Indebtedness in respect of any of the foregoing), in each case, permitted to be Incurred by the terms of the Indenture, the Senior Secured Indenture, any Security Document or Senior Secured Notes Secured Document to which it is a party, the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Indenture) or the Escrow Agreement;

(c) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer’s and Senior Secured Notes Issuer’s corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Indenture or the Senior Secured Notes Indenture, as the case may be;

(d) directly related to investing amounts received by the Issuer (other than amounts not corresponding to required payments under the Notes) or the Senior Secured Notes Issuer (other than amounts not corresponding to required payments under the Senior Secured Notes) in such manner not otherwise prohibited by the Indenture or the Senior Secured Notes Indenture, as the case may be;

(e) in the case of the Issuer, making Permitted Issuer Investments and Incurring Permitted Issuer Liens and, in the case of the Senior Secured Notes Issuer, making Permitted Senior Secured Notes Issuer Investments and Incurring Permitted Senior Secured Notes Issuer Liens;

(f) in the case of the Senior Secured Notes Issuer, related to cash management activities on behalf of the Issuer, Altice VII and the Restricted Subsidiaries; or

(g) (i) any transaction or activity not to exceed €5 million in the aggregate and (ii) other activities not specifically enumerated above that are immaterial in nature.

(2) The Issuer shall not:

(a) issue any Capital Stock (other than to Altice VII);

(b) take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended;

(c) commence or take any action or facilitate a winding-up, liquidation, dissolution or other analogous proceeding;

(d) amend its constitutive documents in any manner which would adversely affect the rights of Holders in any material respect;

(e) transfer or assign the Proceeds Loan (or rights thereunder) except pursuant to the Security Documents; or

(f) amend any provision of, or waive any default or event of default under, any Proceeds Loan except in accordance with "—*Amendments and Waivers*".

(3) The Senior Secured Notes Issuer shall not:

(a) issue any Capital Stock (other than to HoldCo);

(b) take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended;

(c) commence or take any action or facilitate a winding-up, liquidation, dissolution or other analogous proceeding;

(d) amend its constitutive documents in any manner which would adversely affect the rights of Holders in any material respect;

(e) transfer or assign any Finco Proceeds Loan (or rights thereunder) except pursuant to the Security Documents; or

(f) amend any Finco Proceeds Loan except in accordance with "—*Amendments and Waivers*" provisions of the Senior Secured Notes Indenture;

(4) Except as otherwise provided in the Indenture, the Issuer will take all actions necessary and within its power to prohibit the transfer of the issued ordinary shares and management share in the Issuer by Altice VII, other than pursuant to the Issuer Share Pledge or the enforcement of such Issuer Share Pledge.

(5) Whenever the Issuer receives a payment or prepayment under any Proceeds Loan, it shall use the funds received solely to satisfy its obligations (to the extent of the amount owing in respect of such obligations) under the Indenture (including any premium paid to holders of the Notes) or any other Indebtedness of the Issuer.

(6) Whenever the Senior Secured Notes Issuer receives a payment or prepayment under a Finco Proceeds Loan, it shall use the funds received solely to satisfy its obligations (to the extent of the amount owing in respect of such obligations) under the Senior Secured Notes Indenture (including any premium paid to holders of the Senior Secured Notes) or any other Indebtedness of the Senior Secured Notes Issuer (including Indebtedness under any Proceeds Loans); *provided* that to the extent the Senior Secured Notes Issuer receives cash payment in respect of interest on a Finco Proceeds Loan previously paid in-kind and the amount of such cash payment exceeds the obligations of the Senior Secured Notes Issuer then due and payable (or due and payable within five Business Days of such receipt) under the Senior Secured Notes, the Proceeds Loan or any other Indebtedness of the Senior Secured Notes Issuer, the Senior Secured Notes Issuer may use such excess amount for any purpose not prohibited by the Indenture.

Lines of Business

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Similar Business, except to such extent as would not be material to Altice VII and the Restricted Subsidiaries, taken as a whole.

Additional Guarantors

Altice VII shall ensure that within 120 days after the end of each of Altice VII's fiscal years beginning with the first fiscal year ending after the Issue Date:

(1) the combined EBITDA (calculated on a basis consistent with the definition of Consolidated EBITDA but determined on an unconsolidated stand-alone basis and without double counting (for the avoidance of doubt, all intra group items and Investments in Subsidiaries of Altice VII or of a Restricted Subsidiary held by Altice VII or any Restricted Subsidiary shall be excluded)) of the Issuer, the Guarantors and, prior to the HOT Direct Obligation Event, HOT and the HOT Proceeds Note Guarantors for the most recently ended four fiscal quarters of Altice VII shall equal or exceed 75.0% of the Consolidated EBITDA for such four fiscal quarters; and

(2) the combined gross assets (determined separately, without double counting (for the avoidance of doubt, all intra group items and Investments in Subsidiaries of Altice VII or of a Restricted Subsidiary held by Altice VII or any Restricted Subsidiary shall be excluded)) of the Issuer, the Guarantors and, prior to the HOT Direct Obligation Event, HOT and the HOT Proceeds Note Guarantors, as of the last day of the most recently ended four fiscal quarters of Altice VII shall equal or exceed 75.0% of the Pro forma Consolidated Gross Assets of Altice VII as of such date,

by causing one or more of its Restricted Subsidiaries that are not Guarantors or, prior to the HOT Direct Obligation Event, HOT Proceeds Note Guarantors to:

(a) become a Guarantor by executing and delivering to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee on senior subordinated basis; or

(b) prior to the HOT Direct Obligation Event, accede to the HOT Proceeds Note and become a HOT Proceeds Note Guarantor and guarantee the obligations of HOT under the HOT Proceeds Note,

to the extent necessary to ensure the foregoing thresholds are met. Altice VII shall notify the Trustee promptly of each new Guarantor or HOT Proceeds Note Guarantor. Notwithstanding the foregoing, until the HOT Mobile License Guarantee has been released and discharged, the EBITDA and the gross assets of HOT Mobile and its Restricted Subsidiaries shall be excluded from the calculation of Consolidated EBITDA and Pro Forma Consolidated Gross Assets of Altice VII in the first paragraph of this covenant.

Altice VII will not permit any of its Restricted Subsidiaries (other than a Guarantor) to Guarantee any Indebtedness of the Issuer or any Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*", except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Guarantee will be subordinated to Senior Indebtedness of such Restricted Subsidiary and senior to or pari passu with such Restricted Subsidiary's Guarantee of such other Indebtedness.

Note Guarantees granted after the Issue Date pursuant to this covenant shall be released as set forth under "—*Releases of the Note Guarantees*". Note Guarantees granted after the Issue Date pursuant to the second and third paragraphs of this covenant may be released at the option of the Issuer if, at the date of such release, (i) the Indebtedness which required such Note Guarantee has been released or discharged in full, (ii) no Event of Default would arise as a result of such release, and (iii) there is no other Indebtedness of such Guarantor outstanding that was Incurred after the Issue Date and that could not have been Incurred in compliance with the Indenture as of the date Incurred if such Guarantor were not a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, Altice VII shall not be obligated to cause such Restricted Subsidiary to become a Guarantor to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to Altice VII or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from Incurring such Guarantee by the terms of any Indebtedness of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary); provided that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, the Issuer shall notify the Trustee of these events and beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes: "*—Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*" and "*—Impairment of Security Interests*", the provisions of clause (3) of the paragraph of the covenant described under "*—Merger and Consolidation—Altice VII*" and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer, Altice VII and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*".

Impairment of Security Interests

The Issuer shall not, Altice VII shall not and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Notes Collateral (it being understood that the Incurrence of Permitted Collateral Liens, subject to the proviso in the second sentence of the next succeeding paragraph, shall under no circumstances be deemed to materially impair the security interest with respect to the Notes Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, Altice VII shall not and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent (or its delegate), for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien over any of the Notes Collateral; *provided*, that, subject to the proviso in the second sentence of the next succeeding paragraph, the Issuer, Altice VII and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (x) the Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents and (y) and Altice VII and its Restricted Subsidiaries may consummate any other transaction permitted under "*—Merger and Consolidation*".

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Security Interest in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) make any change reasonably necessary in the good faith determination of the Issuer in order to implement transactions permitted under "—*Merger and Consolidation*;" (iv) add to the Notes Collateral; or (v) make any other change thereto that does not adversely affect the Holders in any material respect; provided, however, that, contemporaneously with any such action in clauses (ii), (iii), (iv) and (v), the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of Altice VII and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer, Altice VII and the Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Payments for Consents

Altice VII will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, Altice VII and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of this Indenture, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor would require Altice VII or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states or the State of Israel), which the Issuer in its sole discretion determine (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Additional Intercreditor Agreements

The Indenture provides that, at the request of the Issuer, in connection with the Incurrence by Altice VII or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Liens, Altice VII or Restricted Subsidiary, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "Additional Intercreditor Agreement") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that only one payment blockage notice (a "Stop Notice") can be given by Designated Senior Indebtedness in any 360-day period or in respect of the same event or circumstances regardless of the number of Credit Facilities or other instruments constituting "Designated Senior Indebtedness" of a Guarantor or the number of intercreditor agreements; *provided further* that except in the event of a payment default in respect of Senior Indebtedness is outstanding, in no event may the total number of days for which a Stop Notice is in effect exceed 179 days in respect of any Stop Notice in the aggregate during any consecutive 365-day period; *provided further however provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement; *provided further* that only Designated Senior Indebtedness shall be entitled to instruct the Security Agent to enforce Collateral (other than the Issuer Share Pledge) or initiate a payment blockage. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for senior, *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Lien).

The Indenture also provides that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (8) make any change reasonably necessary, in the good faith determination of the Issuer in order to implement any transaction that is subject to the covenants described under the caption "*—Merger and Consolidation*"; or (9) implement any transaction in connection with the renewal extension, refinancing, replacement or increase of the Credit Facilities that is not prohibited by the Indenture or make any other change to any such agreement that does not adversely affect the Holders in any material respect; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Note Guarantee, enforcement of Liens over the Notes Collateral, the application of proceeds from the enforcement of Notes Collateral or the release of any Note Guarantees or Security in a manner than would adversely affect the rights of the holders of the Notes in any material respect except as otherwise permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*", and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Post-Closing Guarantees and Security

On the Senior Notes Transactions Completion Date:

(1) the Issuer will make the Additional Proceeds Loan with the proceeds of the offering of the Notes on the Issue Date to the Senior Secured Notes Issuer and the Issuer will execute the Security Document attached to the Escrow Agreement to which it is intended to be a party and grant second-ranking Lien over such Additional Proceeds Loan for the benefit of the holders of the Notes;

(2) each of the Issuer and Altice VII will execute and deliver to the Security Agent the Security Documents attached to the Escrow Agreement and grant first-ranking or second-ranking Liens, as applicable, over the property and asset described above under "*Note Security*"; and

(3) in the event Altice Holding is the surviving entity in the merger between Altice Pool S.à r.l. and Altice Holding, as described under "*The Transactions*", Altice VII will pledge on a second-priority basis all of the Capital Stock of Altice Holding promptly following the completion of such merger.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by Altice VII or any Restricted Subsidiary to comply for 30 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with any of its obligations under the covenants described under "Change of Control" above, under the covenants described under "—*Certain Covenants*" above (in each case, other than (i) a failure to purchase Notes, which will constitute an Event of Default under clause (2) above (ii) a failure to comply with the covenant described under "—*Certain Covenants—Post-Closing Guarantees and Security*", which shall be governed by clause (10) below and (iii) a failure to comply with the Escrow Agreement;

(4) failure by Altice VII, any Restricted Subsidiary or any other grantor of a Lien over the Notes Collateral to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Altice VII or any Restricted Subsidiary (or the payment of which is Guaranteed by Altice VII or any Restricted Subsidiary) other than Indebtedness owed to Altice VII or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by the failure to pay principal of, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default ("payment default"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "cross-acceleration provision"),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer, Altice VII or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (the "bankruptcy provisions");

(7) failure by the Issuer, Altice VII or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments aggregating in excess of € 25 million exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "judgment default provision");

(8) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Notes Collateral having a Fair Market Value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "security default provisions");

(9) any Guarantee of the Notes of Altice VII or a Subsidiary Guarantor that is a Significant Subsidiary or any group of Subsidiary Guarantors that taken together would constitute a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days after the notice specified in the Indenture (the "guarantee provisions");

(10) failure by Altice VII or any Restricted Subsidiary to comply for 30 days with any of the provisions of the covenant described under "—*Certain Covenants—Post-Closing Guarantees and Security*"; and

(11) failure by the Issuer to consummate the Special Mandatory Redemption as described under the caption "—*Escrow of Proceeds; Special Mandatory Redemption*."

However, a default under clauses (3), (4), (5), (7) or (10) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5), (7) and (10) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7) or (10), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) or (11) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders; *provided* that, in the case of an Event of Default specified in clause (11), the amount due and payable shall be equal to the aggregate gross proceeds of the offering of the Notes, plus accrued and unpaid interest and additional amounts, if any. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all the Notes to be due and payable immediately.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee, and the Trustee has received, security and/or indemnity reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture provides that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture provides that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "—*Limitation on Sales of Assets and Subsidiary Stock*");

(3) reduce the principal of, or extend the Stated Maturity of, any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "—*Optional Redemption*" (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "—*Limitation on Sales of Assets and Subsidiary Stock*");

(5) make any Note payable in money other than that stated in the Note (except to the extent the currency stated in the Notes has been succeeded or replaced pursuant to applicable law);

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes (it being understood that this clause (6) will not apply to provisions under the caption "*Change of Control*" and "*Limitation on Sales of Assets and Subsidiary Stock*" except to the extent payments thereunder are at such time due and payable);

(7) make any change in the provision of the Indenture described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any of the security interests granted for the benefit of the Holders in the Notes Collateral (to the extent any Notes Collateral so released in any transactions or series of transactions has a fair market value in excess of €25 million) other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture;

(9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(10) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon Altice VII or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes Incurred in accordance with the terms of the Indenture;

(6) to provide for a Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*";

(10) provide for the assumption of a successor Person of the obligations of HOT or any HOT Proceeds Note Guarantor under any HOT Proceeds Note Document;

(11) add to the covenants or provide for a HOT Proceeds Note Guarantee for the benefit of the Issuer or surrender any right or power conferred upon HOT, a HOT Proceeds Note Guarantor or any Restricted Subsidiary of HOT;

(12) make any change that would provide additional rights or benefits to the Issuer or does not adversely affect the rights or benefits to the Issuer in any material respect, in each case, under the HOT Proceeds Note Documents or any other Finco Proceeds Loan;

(13) to provide for to add Guarantees with respect to the HOT Proceeds Note, to add security to or for the benefit of the HOT Proceeds Note, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any HOT Proceeds Note Guarantee or Lien (including the HOT Proceeds Note Collateral and the HOT Security Documents) or any amendment in respect thereof with respect to or securing the HOT Proceeds Note when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the HOT Security Documents or any intercreditor agreement relating to the HOT Proceeds Note; or

(14) after a HOT Direct Obligation Event, amend, extend, renew, restate, supplement or otherwise modify or release the HOT Proceeds Note and the HOT Security Documents to give effect to a repayment or reduction in the aggregate principal amount of the HOT Proceeds Note.

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Altice VII or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with Altice VII will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the right to receive payment, defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under "*—Certain Covenants*" and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to Altice VII and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to the first paragraph and clauses (1) and (2) of the second paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation*"), (4), (5), (6) (with respect only to Altice VII and Significant Subsidiaries), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or an entity designated by it for this purpose) cash in euro or European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel (subject to customary exceptions and exclusions) in the United States to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or an entity designated by it for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer's Certificate to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of Altice VII or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Listing and general information

Application will be made to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market will be approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of Altice VII's annual audited consolidated combined financial statements, Altice VII's unaudited consolidated combined interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

Available Information

Anyone who receives this Offering Memorandum, any Holder of the Notes or holder of a beneficial interest in the Notes, following the Issue Date, may obtain a copy of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer, 3, boulevard royal, L-2449 Luxembourg, Attention: Chief Financial Officer.

Concerning the Trustee and Certain Agents

Citibank, N.A., London Branch has been appointed as Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. During the existence of an Event of Default of which the Trustee has been notified in accordance with the provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Issuer shall deliver written notice to the Trustee with thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification and/or security of the Trustee by the Issuer and the Guarantors for any loss, liability, taxes or expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of the Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Note Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

Enforceability of Judgments

Since substantially all the assets of the Issuer, Altice VII and the other Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Note Guarantees, the Issuer and each Guarantor will, in the Indenture, appoint CT Corporation System as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York. The application of the provisions set out in Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded. The Intercreditor Agreement and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England. The Security Documents shall be governed by and construed in accordance with the laws of the State of Israel and the Grand Duchy of Luxembourg, as applicable.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*ABO*" means Altice Blue One SAS, a société par actions simplifiée, incorporated under the laws of France.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with Altice VII or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) not classified as current assets under IFRS used or to be used by Altice VII or a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of an Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by a Altice VII or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"*Additional Revolving Credit Facility*" means the revolving credit facility agreement, dated on or prior to the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among the Senior Secured Notes Issuer, as borrower, the lenders from time to time party thereto, Citibank International Plc as facility agent and Citibank, N.A., London Branch, as security agent.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Applicable Premium*" means, with respect to any Note the greater of:

(A) 1% of the principal amount of such Note; and

(B) the excess (to the extent positive) of:

(i) the present value at such redemption date of (i) the redemption price of such Note at June 15, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Note to and including June 15, 2018 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or Paying Agents.

"*Asset Disposition*" means, with respect to Altice VII and the Restricted Subsidiaries (other than the Issuer and the Senior Secured Notes Issuer), any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by Altice VII or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, transfer, issuance or other disposition of all or substantially all of the assets of Altice VII and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "Change of Control" and/or the provisions described above under the caption "*—Certain Covenants—Merger and Consolidation*" and not by the provisions described under the caption "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*". Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, by a Restricted Subsidiary to Altice VII or by Altice VII or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of cash, Cash Equivalents or Temporary Cash Investments;

(3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business of Altice VII and its Restricted Subsidiaries;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" (other than as permitted under clause (C) of the first paragraph under "*—Certain Covenants—Merger and Consolidation—The Subsidiary Guarantors*"), or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to Altice VII or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(7) (a) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of not greater than €15 million or (b) a transfer of Capital Stock of HOT pursuant to the exercise of a Minority Shareholder Call Option as in effect on December 12, 2012;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*", any transaction specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "—*Certain Covenants—Limitation on Liens*";

(10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales, transfers or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than Altice VII or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Altice VII or any Restricted Subsidiary to such Person; *provided, however,* that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice VII and the Restricted Subsidiaries (considered as a whole); *provided further,* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of 1.0% of Total Assets and €30.0 million; and

(19) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by Altice VII or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; *provided* that network assets of Altice VII or any Restricted Subsidiary shall be excluded from this clause (19) unless the Net Cash Proceeds of such sale and leaseback transaction are applied in accordance with the second paragraph of the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Associate*" means (i) any Person engaged in a Similar Business of which Altice VII or a Restricted Subsidiary are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by Altice VII or any Restricted Subsidiary.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to June 15, 2018, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to June 15, 2018; provided, however, that, if the period from such redemption date to June 15, 2018 is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date.

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

"*Capital Stock*" of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States Government, the State of Israel, the United Kingdom, Switzerland or any member state of the European Union (other than Greece or Portugal), in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by (i) any of Israel Discount Bank Ltd, Mizrahi Tefahot Bank Ltd, Bank Leumi of Israel or Bank Hapoalim Ltd or (ii) a bank or trust company (a) whose commercial paper is rated at least "A-1 "or the equivalent thereof by S&P or at least "P-1 "or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that such bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any member of the European Union (other than Greece or Portugal) or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) bills of exchange issued in the United States, a member state of the European Union (other than Greece or Portugal), eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(7) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (6) above.

"*Change of Control*" means:

(1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of Altice VII, measured by voting power rather than number of shares;

(2) following the first Public Offering by the IPO Entity, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the IPO Entity (together with any new directors whose election by the majority of such directors on such Board of Directors of the IPO Entity or whose nomination for election by shareholders of the IPO Entity, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the IPO Entity then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the IPO Entity, then in office;

(3) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of Altice VII and its Restricted Subsidiaries, taken as a whole, to a Person (including any "person" as defined above), other than a Permitted Holder; or

(4) the first day on which the Issuer fails to own, directly or indirectly, 100% of the Capital Stock of the Senior Secured Notes Issuer or the Permitted Holders fail to own, directly or indirectly, 100% of the Capital Stock of the Issuer.

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

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

"*Coditel Senior Credit Facility*" means senior facilities agreement, dated November 29, 2011, inter alios, Coditel Holding Lux S.a r.l. as parent, Coditel Holding as the company, GE Corporate Finance Bank S.A.S., HSBC France, ING Belgium SA/NV, KBC Bank NV and Natixis as mandated lead arrangers,ING Bank N.V. as agent and security agent.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions and the Original Hot Transactions), in each case, as determined in good faith by the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) any non-cash management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders (whether directly or indirectly, including through any Parent); and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other non-cash items classified by Altice VII as special items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period);

provided that for purposes of clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" only, Consolidated EBITDA shall be the sum of the Consolidated EBITDA of (x) Cool and its Subsidiaries that are Restricted Subsidiaries for the period beginning on the first day of the first full fiscal quarter commencing prior to the Original Issuer Notes Issue Date until the New Group Reference Date (defined below) and (y) Altice VII and the Restricted Subsidiaries for the period beginning on the first day of the first full fiscal quarter commencing prior to the Senior Notes Transactions Completion Date (the "New Group Reference Date") to the relevant date of determination.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of Altice VII and the Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of Altice VII and the Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;

(3) non-cash interest expense;

(4) dividends on other distributions in respect of all Disqualified Stock of the Issuer and Altice VII and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than Altice VII or a Subsidiary of Altice VII;

(5) the consolidated interest expense that was capitalized during such period;

(6) net payments and receipts (if any) pursuant to Hedging Obligations (other than Currency Agreements) (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations (other than Currency Agreements)); and

(7) any interest on Indebtedness of another Person that is guaranteed by Altice VII or any Restricted Subsidiary or secured by a Lien on assets of Altice VII or any Restricted Subsidiary,

provided that for purposes of clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" only, Consolidated Interest Expense shall be the sum of the Consolidated Interest Expense of (x) Cool and its Subsidiaries that are Restricted Subsidiaries for the period beginning on the first day of the first full fiscal quarter commencing prior to the Original Issuer Notes Issue Date until the New Group Reference Date and (y) Altice VII and the Restricted Subsidiaries for the period beginning on the New Group Reference Date to the relevant date of determination.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Receivables Financing, (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date and (iv) net payments and receipts (if any) pursuant to Currency Agreements (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations).

"*Consolidated Leverage*" means the sum, without duplication, of the aggregate outstanding Indebtedness of Altice VII and its Restricted Subsidiaries (excluding (i) Hedging Obligations and (ii) Indebtedness of Altice VII owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary).

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of Altice VII are available (or, if prior to the fiscal quarter ended December 31, 2013 and such financial statements are not available, consolidated combined financial statements of Altice VII and the Restricted Subsidiaries) multiplied by 2.0; *provided*, *however*, that the *pro forma* calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*"; *provided*, *further*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period Altice VII or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such

sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a Parent, Altice VII or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto (as determined in good faith by a responsible accounting or financial officer of Altice VII), including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies), as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person that became a Restricted Subsidiary or was merged or otherwise combined with or into Altice VII or any Restricted Subsidiary since the beginning of such period will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by Altice VII or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of Altice VII or an Officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

"*Consolidated Net Income*" means, for any period, the net income (loss) of Altice VII and the Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that Altice VII's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to Altice VII or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary that is not a Guarantor if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to Altice VII by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes and the Indenture, the HOT Proceeds Note, the Coditel Senior Credit Facility or the Coditel Mezzanine Facility, (c) contractual or legal restrictions in effect on the Original Issuer Notes Issue Date with respect to a Restricted Subsidiary (including pursuant to the Notes, the Intercreditor Agreement and the Existing Hot Unsecured Notes), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions as in effect on the Issue Date specified in clause (12) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that Altice VII's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such

period to Altice VII or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of Altice VII or any Restricted Subsidiary (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer of the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves, gains or other costs related to the Transactions;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;

(9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of Altice VII or any Restricted Subsidiary owing to Altice VII or any Restricted Subsidiary;

(11) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving Altice VII or its Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Senior Secured Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of Altice VII and its Restricted Subsidiaries (excluding Hedging Obligations).

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of Altice VII are available (or, if prior to the fiscal quarter ended December 31, 2013 and such financial statements are not available, consolidated combined financial statements of Altice VII and the Restricted Subsidiaries) multiplied by 2.0; *provided*, *however*, that the *pro forma* calculation of the Consolidated Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*"; *provided*, *further*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period Altice VII or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Senior Secured Leverage Ratio

is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a Parent, Altice VII or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business, or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into Altice VII or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by Altice VII or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company or an Officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Cool*" means Cool Holding Ltd., a public limited company (société anonyme) incorporated and existing under the laws of the State of Israel and the Grand Duchy of Luxembourg having its registered office at 3, boulevard royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies' Register under number B152.495.

"*Cool Interest Loan*" means the interest free loan from Altice VII to Cool in an amount equal to NIS 37 million.

"*Credit Facility*" means, with respect to the Altice VII or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds, note purchase agreements or indentures or commercial paper facilities and overdraft facilities (including the Revolving Credit Facilities) with banks, institutions, funds or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, bonds, debentures letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, institutions or investors and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of Altice VII as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, cap, floor, ceiling, collar, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by Altice VII or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Designated Preference Shares*" means, with respect to Altice VII, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to a Subsidiary of Altice VII or an employee stock ownership plan or trust established by Altice VII or any such Subsidiary for the benefit of their employees to the extent funded by Altice VII or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"*Designated Senior Debt*" means (1) any Senior Indebtedness permitted to be Incurred under the Indenture that has, at the time of designation, an aggregate principal amount outstanding of at least €40.0 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) and that has been designated by the Issuer in an instrument evidencing such Senior Indebtedness and in an Officer's Certificate delivered to the Trustee as "Designated Senior Indebtedness" for purposes of the Indenture, (2) all Indebtedness arising under the Revolving Credit Facilities, (3) all Indebtedness arising under the Senior Secured Notes Indenture and the Senior Secured Notes and Guarantees thereof, (4) all Indebtedness arising under the Senior Credit Facility, the loans thereunder and Guarantees thereof and (5) all Indebtedness arising under the Guarantee Facility.

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of Altice VII or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of Altice VII or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case, on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require Altice VII to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"*Equity Offering*" means a public or private sale of (x) Capital Stock of Altice VII or (y) Capital Stock or other securities, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of Altice VII or any of its Restricted Subsidiaries, in each case other than:

(1) Disqualified Stock;

(2) Designated Preference Shares;

(3) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;

(4) any such sale to an Affiliate of Altice VII, including the Issuer, Altice VII or a Restricted Subsidiary; and

(5) any such sale that constitutes an Excluded Contribution.

"*Escrow Agreement*" means the escrow agreement (the "Escrow Agreement") dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and Citibank, N.A., London Branch, or another similarly reputable escrow agent, as Escrow Agent (the "Escrow Agent").

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" or "*€*" means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro ("*Other Currency*"), at any time of determination thereof by the Issuer or the Trustee, the amount of euros obtained by converting such Other Currency involved in such computation into euros at the spot rate for the purchase of euros with the Other Currency as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Monetary Union as of the date of this Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; provided that such member state has a long-term government debt rating of "*A1*" or higher by Moody's or "*A+*" or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by Altice VII as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice VII) after the Issue Date or from the issuance or sale (other than to Altice VII, a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice VII or any Subsidiary of Altice VII for the benefit of its employees to the extent funded by Altice VII or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of Altice VII, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

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

"*Existing Revolving Credit Facility*" means that certain agreement dated November 27, 2012 between, *inter alia*, the Issuer, the Company, certain financial institutions party thereto and Citibank International plc as facility agent and security agent, as amended.

"*fair market value*" wherever such term is used in this "Description of Notes" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "Description of Notes" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Finco Asset Disposition*" means the sale, lease, conveyance or other disposition of any rights, property or assets by the Issuer or the Senior Secured Notes Issuer. Notwithstanding the preceding, none of the following items will be deemed to be a Finco Asset Disposition:

(1) the granting of a Permitted Issuer Lien or a Permitted Senior Secured Notes Issuer Lien;

(2) any Permitted Issuer Investment or a Permitted Senior Secured Notes Issuer Investment; and

(3) the sale or other disposition of cash or Cash Equivalents.

"*Green*" means green.ch AG (company registration no. CHE-112.574.742; formerly Solution25 AG), a Swiss company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business or any guarantee of performance. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee Facility*" means the guarantee facility agreement dated on or prior to the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among the Senior Secured Notes Issuer as borrower, the lenders from time to time party thereto, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent.

"*Guarantor*" means (i) as of the Senior Notes Transactions Completion Date, Altice VII, Cool, H. Hadaros 2012, Ltd., the Senior Secured Notes Issuer, Altice Pool, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal and Cabovisao (subject to the Portugal Guarantee Limit Amount) and (ii) each Person that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as a guarantor of the Notes and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered.

"*HOT Credit Facility*" the Facility Agreement dated April 25, 2013 between and made between (among others) HOT and HSBC Bank plc, Israel Discount Bank Ltd. and First International Bank of Israel Ltd. in their respective capacities as Lenders.

"*HOT Direct Obligation Event*" means the election by the Senior Secured Notes Issuer and Altice VII to cause HOT and the HOT Proceeds Note Guarantors to become direct Guarantors of the Senior Secured Notes by causing each of them to provide a Guarantee of the Senior Secured Notes on a senior basis and grant an equivalent Lien over all of its assets that constitute HOT Proceeds Note Collateral on such date.

"*HOT Mobile*" means HOT Mobile Ltd., formerly known as MIRS Communications Ltd.

"*HOT Mobile License Guarantee*" means the NIS 695 million bank guarantee to the Ministry of Communications and Broadcast Council Incurred in connection HOT's acquisition of a frequency allotment and a cellular license in 2011.

"*HOT Proceeds Note*" means collectively, the proceeds term loan and the revolving facility proceeds loan made by the Senior Secured Notes Issuer to HOT on December 27, 2012.

"*HOT Proceeds Note Collateral*" means the rights, property and assets securing the HOT Proceeds Note and the HOT Proceeds Note Guarantees and any rights, property or assets over which a Lien has been granted to secure the Obligations of HOT and the HOT Proceeds Note Guarantors under the HOT Proceeds Note.

"*HOT Proceeds Note Documents*" means the HOT Proceeds Note and the HOT Security Documents.

"*HOT Proceeds Note Guarantee*" means the guarantee by each HOT Proceeds Note Guarantor of the HOT's obligations under the HOT Proceeds Note, executed pursuant to the provisions thereof and this Indenture.

"*HOT Proceeds Note Guarantor*" means each Person that accedes to the HOT Proceeds Note as a HOT Proceeds Note Guarantor in accordance with the provisions of the HOT Proceeds Note and this Indenture in its capacity as a guarantor of the HOT Proceeds Note and its respective successors and assigns, until the HOT Proceeds Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*HOT Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the HOT Proceeds Note or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the HOT Proceeds Note Collateral as contemplated by the Indenture and the HOT Proceeds Note.

"*IFRS*" means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency as endorsed by the State of Israel and in effect on the date hereof, or, with respect to the covenant described under the caption "Reports" as in effect from time to time.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by Altice VII or such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of assets acquired or services supplied (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations (excluding network and duct leases in existence on the Issue Date) of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on December 12, 2012, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations Incurred in the ordinary course of business, (vi) obligations under or in respect of Qualified Receivables Financing, (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the incurrence by Altice VII or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by Altice VII or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (x) Indebtedness incurred by Altice VII or a Restricted Subsidiary in connection with a transaction where (A) such Indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by Altice VII or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such Indebtedness. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses and trade payables, any obligations under the guarantee by HOT issued to the Ministry of Communications and Broadcast Council in connection with various operating and broadcasting licenses, including the bank guarantee in connection with the HOT Mobile's winning a frequency allotment and receiving a cellular license, and any obligations of HOT Systems towards the State of Israel under an agreement dated July 10, 2001, between HOT Systems and other cable companies and between the State of Israel, in each case, as in effect on December 12, 2012.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) in connection with the purchase by Altice VII or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(ii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of Altice VII or any Parent or any successor of Altice VII or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated December 12, 2012 and made between (among others) the Issuer, the Senior Secured Notes Issuer, the Guarantors, the Security Agent, the Facility Agent, the Mandated Lead Arrangers (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the Trustee, as amended.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If Altice VII or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by Altice VII or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to Altice VII's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, Altice VII will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) Altice VII's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to Altice VII's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by an Officer or the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer (or if earlier at the time of entering into an agreement to sell such property), in each case as determined in good faith by an Officer or the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB−" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*Investor*" means the controlling shareholder of Altice Group on the Issue Date.

"*Investor Affiliate*" means (i) the Investor or any of his immediate family members, and any such persons' respective Affiliates and direct and indirect Subsidiaries, (ii) any sponsor, limited partnerships or entities managed or controlled by the Investor or any of his immediate family, or any of such persons' respective Affiliates and direct or indirect Subsidiaries, (iii) any trust of the Investor or any of his immediate family, or any of such persons' respective Affiliates and direct or indirect Subsidiaries or any trust in respect of which any such persons is a trustee, (iv) any partnership of which the Investor or any of his immediate family, or any of such persons' respective Affiliates or direct or indirect Subsidiaries is a partner that is managed or controlled by the Investor, any of his immediate family or any of such persons' respective Affiliates or direct or indirect Subsidiaries, and (v) any trust, fund or other entity which is managed by, or is under the control of, the Investor or any of his immediate family, or any of such persons' respective Affiliates or direct or indirect Subsidiaries, but excluding Altice VII or any of its Subsidiaries.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means June 19, 2013.

"*Issuer*" means Altice Finco S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 3, boulevard royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies' Register under number B171.151.

"*License Assets*" means a "License Asset", as defined under the Israeli Communications Law (Telecommunications and Broadcasting) of 1982 ("Communications Law"), which includes all assets necessary for the provision by the relevant company of services under its license.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, Altice VII or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such Person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of Altice VII, its Restricted Subsidiaries or any Parent not to exceed an amount (net of repayments of any such loans or advances) equal to €8 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Management Advances made under this sub-clause (b) do not exceed €15 million in any fiscal year);

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €7.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, Altice VII or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of Altice VII, any Restricted Subsidiary or any Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Minority Shareholder*" means each of Yedioth Communications Ltd., Fishman Family Properties Ltd., Fishman Family Properties Management (1988) Ltd. and Monitin Itonut Holdings (1985) Ltd.

"*Minority Shareholder Call Option*" means the right to purchase shares of Capital Stock of HOT pursuant to the applicable Minority Shareholder Purchase Agreement.

"*Minority Shareholder Option Exercise*" means the exercise by a Minority Shareholder of the Minority Shareholder Call Option on the terms provided in the applicable Minority Shareholder Purchase Agreement.

"*Minority Shareholder Purchase Agreements*" means each of (a) the Agreement, dated as of November 5, 2012 entered into by and between Yedioth Communications Ltd., a company incorporated in Israel with a registered address of 2 Mozes Street, Tel Aviv, Israel and the Company and (b) the Agreement dated as of November 5, 2012 entered into by and among Fishman Family Properties Ltd. and Fishman Family Properties Management (1988) Ltd., each a company incorporated in Israel with a registered address of 20 Lincoln Street, Tel Aviv, Israel, and Monitin Itonut Holdings (1985) Ltd., a company incorporated in Israel with a registered address of 53 Etzel Street, Rishon Lezion 75706, Israel and the Company, in each case providing for waiver of certain consent rights relating to the Transactions and granting of the Minority Shareholder Call Option as consideration therefor, in each case as in effect on the Original Issue Date except for amendments that are not materially adverse to the interests of the Holders of the Notes.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" shall have the same meaning as used in Section 3(a)(62) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, Altice VII or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against (a) any liabilities associated with the assets disposed in such Asset Disposition and retained by Altice VII or any Restricted Subsidiary after such Asset Disposition; or (b) any purchase price adjustment or earn-out in connection with such Asset Disposition.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, any Incurrence of any Indebtedness or any sale of any asset means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreements and the Proceeds Loan.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Offering Memorandum*" means the offering memorandum in relation to the Notes to be issued on the Issue Date.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*OMT Proceeds Loans*" means collectively, the direct and indirect proceeds loans made by Altice Holdings to NewCo OMT and its Subsidiaries in connection with the Outremer Transaction (as defined in the Offering Memorandum under "The Transactions").

"*OMT Proceeds Note Collateral*" means the rights, property and assets securing the OMT Proceeds Loans and any rights, property or assets over which a Lien has been granted to secure the Obligations of NewCo OMT under the applicable OMT Proceeds Loan.

"*OMT Proceeds Loans Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the OMT Proceeds Loans or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the OMT Proceeds Loan Collateral as contemplated by the Indenture and the OMT Proceeds Loan.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee, which opinion may contain customary assumptions and qualifications. The counsel may be an employee of or counsel to any Parent, Altice VII or any of their Subsidiaries.

"*Original HOT Transactions*" the transactions consummated on December 27, 2012 pursuant to which Cool acquired all of the remaining shares of HOT and repaid certain indebtedness of Cool and HOT.

"*Original Issuer Notes*" refers to the $400 million aggregate principal amount of the Issuer's 9⁷/₈% Senior Notes due 2020 issued on the Original Issuer Notes Issue Date.

"*Original Issuer Notes Issue Date*" means December 12, 2012.

"*Parent*" means any Person of which Altice VII at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of a Parent, Altice VII or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to a Parent, Altice VII or their respective Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to a Parent, Altice VII or their respective Subsidiaries and reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of Altice VII, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees)

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of Altice VII or any of the Restricted Subsidiaries including acquisitions by Altice VII or a Subsidiary permitted hereunder (whether or not successful), in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such or (b) costs and expenses with respect to any litigation or other dispute relating to the Original HOT Transactions and the Transactions or the ownership, directly or indirectly, by any Parent;

(6) any fees and expenses required to maintain any Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent to reimburse out-of-pocket expenses of the Board of Directors of any Parent and payment of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in Altice VII and its Subsidiaries;

(7) other fees, expenses and costs relating directly or indirectly to activities of Altice VII and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Acquisition, the Original HOT Transaction or the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of Altice VII, in an amount not to exceed €5 million in any fiscal year;

(8) any Public Offering Expenses; and

(9) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee of the Notes.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between Altice VII or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Permitted Collateral Liens*" means:

(1) Liens on the Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) of the definition of "Permitted Liens";

(2) Liens on the Notes Collateral (other than any Notes Collateral subject to the Escrow Assignment and the Issuer Share Pledge) to secure (a) Indebtedness that is permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", (b) Indebtedness that is permitted to be Incurred under clauses (1), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Notes Collateral and specified in this definition of Permitted Collateral Liens), (4)(a), 4(b), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness), (7)(b), (14) (so long as, in the case of clause (14), on the date of Incurrence of Indebtedness pursuant to such clause (14) and after giving effect thereto on a pro forma basis, the Issuer could have incurred €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") and clause (15) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a) or (b), *provided*, *however*, that (i) such Lien shall rank (x) equal to all other Liens on such Notes Collateral securing Senior Indebtedness of the Issuer and the Guarantors, if such Indebtedness is Senior Indebtedness of the Issuer or the Guarantors (as applicable), or (y) pari passu with or junior to the Liens securing the Notes and the Note Guarantees; and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(3) Liens on the Issuer Share Pledge to secure Pari Passu Indebtedness of the Issuer that is permitted to be Incurred under covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than clauses (3), (4)(a), (5), (7), (9), (10), (11), (12) and (13) of the second paragraph thereof); provided, however, that (i) such Lien shall rank pari passu or junior to the Liens securing the Notes; (ii) in each case, all property and assets of the Issuer securing such Indebtedness also secure the Notes on a senior or pari passu basis; and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Holders*" means, collectively, (1) the Investor, (2) Investor Affiliates and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or Altice VII, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by Altice VII or any of the Restricted Subsidiaries and subject to the covenant described under the heading "*—Certain Covenants—Limitation on Issuer and Senior Secured Notes Issuer Activities*"):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary), Altice VII (other than any Investment in a Minority Shareholder Call Option or Minority Shareholder Purchase Agreement) or (b) any Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, Altice VII or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents or Temporary Cash Investments;

(4) Investments in receivables owing to Altice VII or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as Altice VII or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to Altice VII or any Restricted Subsidiary (including obligations of trade creditors and customers), or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or in compromise or resolution of any litigation, arbitration or other dispute;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and other Investments resulting from the disposition of assets in transactions excluded from the definition of "Asset Disposition" pursuant to the exclusions from such definition;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred pursuant to clause (7) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(12) any Investment to the extent made using Capital Stock of Altice VII (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(14) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(15) Investments in the Notes, any Additional Notes, the Senior Secured Notes and loans under the Senior Credit Facility;

(16) (a) Investments acquired after the Issue Date as a result of the acquisition by Altice VII or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into Altice VII or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "*—Certain Covenants—Merger or Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and (b) Investments of a Restricted Subsidiary existing on the date such Person becomes a Restricted Subsidiary to the extent that such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary;

(17) Investments, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of 3% of Total Assets and €90.0 million; *provided*, that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause; and

(18) Investments as a result of contribution of Tower Assets to a Towers Joint Venture within 365 days from the Original Issuer Notes Issue Date; *provided*, *however*, that if a definitive binding agreement or a commitment to enter into a Towers Joint Venture is approved by the Board of Directors of the Issuer within such time, such Investment is shall be permitted by this clause (18) so long as such Investment is consummated within 180 days from the date of such approval.

"*Permitted Issuer Investments*" means Investments in:

(1) cash and Cash Equivalents;

(2) the Notes and the Original Issuer Notes;

(3) any other Indebtedness of the Issuer permitted to be Incurred under the Indenture; and

(4) any Proceeds Loan.

"*Permitted Issuer Liens*" means:

(1) Permitted Collateral Liens; and

(2) Liens described in one or more of clauses (4), (5), (9), (11), (12), (13), (22), (27) (only in respect of Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness) and (28) of the definition of Permitted Liens.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary or another Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements and including Liens on insurance policies and

proceeds thereof, or other deposits, to secure insurance premium financings), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) (a) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of Altice VII or any Restricted Subsidiary in the ordinary course of its business and (b) Liens in connection with cash management programs established in the ordinary course of business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of Altice VII and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of Altice VII and the Restricted Subsidiaries;

(7) Liens on assets or property of Altice VII or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default and notices of *lis pendens* and associated rights so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order, award or notice have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of Altice VII or any Restricted Subsidiary (including Capital Stock) for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture (excluding Indebtedness Incurred pursuant to the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*") and (b) any such Lien may not extend to any assets or property of the Issuer, Altice VII or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by Altice VII and the Restricted Subsidiaries in the ordinary course of business;

(13) (a) with respect to Altice VII and its Restricted Subsidiaries (other than HOT and its Subsidiaries), Liens existing on or provided for or required to be granted under written agreements existing on the Issue Date after giving effect to the Transactions and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are release from the Escrow Account); and (b) with respect to HOT and its Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on,

December 12, 2012 after giving effect to the Original HOT Transactions, including, for avoidance of doubt, the second lien floating charge to secure certain payment obligations of HOT to the State of Israel pursuant to a royalty agreement as in effect on December 12, 2012;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time Altice VII or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into Altice VII or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of Altice VII or any Restricted Subsidiary securing Indebtedness or other obligations of Altice VII or such Restricted Subsidiary owing to Altice VII or another Restricted Subsidiary, or Liens in favor of Altice VII or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which Altice VII or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) bankers' Liens, Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business of such Person to facilitate the purchase, shipment or storage of such inventory or other goods and Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, and pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(25) Permitted Collateral Liens;

(26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) any security granted over Cash Equivalents in connection with the disposal thereof to a third party and Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or similar provisions as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(29) Liens created on any asset of Altice VII or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of Altice VII or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(30) subject to the covenant described under the heading "—*Certain Covenants—Limitation on Issuer and Senior Secured Notes Issuer Activities*", Liens on the property and assets of Altice VII and the Restricted Subsidiaries to secure (a) Indebtedness that is permitted to be Incurred under the clause (2) of the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*", (b) Indebtedness that is permitted to be Incurred under clauses (1), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise specified in this clause (30)), (4)(b), (5), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness), (7)(b), (14) (so long as, in the case of clause (14), on the date of Incurrence of Indebtedness pursuant to such clause (14) and after giving effect thereto on a pro forma basis, the Senior Secured Notes Issuer could have incurred €1.00 of Indebtedness pursuant to clause (2) the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness") and clause (15) under the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a) or (b), *provided*, *however*, that such Indebtedness (other than Indebtedness Incurred under clauses (1), (5) and (15) under the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*") is Senior Indebtedness of the Guarantors; and

(31) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €30.0 million and 1% of Total Assets.

"*Permitted Senior Secured Notes Issuer Investments*" means Investments in:

(1) cash and Cash Equivalents;

(2) the Senior Secured Notes and loans under the Senior Credit Facility;

(3) any other Indebtedness of the Senior Secured Notes Issuer permitted to be Incurred under the Indenture; and

(4) any Finco Proceeds Loan.

"*Permitted Senior Secured Notes Issuer Liens*" means:

(1) Permitted Collateral Liens; and

(2) Liens described in one or more of clauses (4), (5), (9), (11), (12), (13), (22), (27) (only in respect of Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness), (28) of the definition of Permitted Liens and (30).

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Pro Forma Consolidated Gross Assets*" means, with respect to any specified Person as of any date, the total assets of such Person and its Restricted Subsidiaries, calculated on a consolidated basis in accordance with IFRS, excluding all intra group items and investments in any Subsidiaries of such Person of or by such Person or any of its Restricted Subsidiaries, giving pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period.

"*Proceeds Loan*" means any loan agreement entered into between the Issuer and the Senior Secured Notes Issuer pursuant to which the Issuer lends to the Senior Secured Notes Issuer all or substantially all of the net proceeds of any Incurrence of Indebtedness by the Issuer; *provided* that (i) the principal amount of, and interest rate on, such Proceeds Loan will not be less than the principal amount of, and interest rate on, the Indebtedness of the Issuer that funded such Proceeds Loan, (ii) a Lien over such Proceeds Loan is granted at the time of its Incurrence on a junior basis to secure the Notes and the Note Guarantees and (iii) such Proceeds Loan shall be subject to the Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Public Offering Expenses*" means expenses Incurred by any Parent in connection with any Public Offering or any offering of Public Debt (whether or not successful):

(1) where the net proceeds of such offering are intended to be received by or contributed or loaned to Altice VII or a Restricted Subsidiary;

(2) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or

(3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to Altice VII or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of Altice VII shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to Altice VII and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by Altice VII), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by Altice VII) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of Altice VII or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Notes in lieu of the ratings by Moody's or S&P.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by Altice VII or any of its Subsidiaries pursuant to which Altice VII or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by Altice VII or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of Altice VII or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by Altice VII or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of Altice VII (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with Altice VII in which Altice VII or any Subsidiary of Altice VII (other than the Issuer and the Senior Secured Notes Issuer) makes an Investment and to which Altice VII or any Subsidiary of Altice VII transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of Altice VII and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of Altice VII (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by Altice VII or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by Altice VII or any other Restricted Subsidiary, (iii) is recourse to or obligates Altice VII or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of Altice VII or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither Altice VII nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms which Altice VII reasonably believes to be no less favorable to Altice VII or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Altice VII; and

(3) to which neither Altice VII nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness of Altice VII or any Restricted Subsidiary to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in, the documentation governing the Indebtedness being refinanced; and

(4) (i) subject to clause (ii) of this clause (4), if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is incurred either by the Issuer or by a Guarantor, (ii) if the Indebtedness being refinanced was originally Incurred by the Issuer or the pursuant to the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or clauses (4)(a), (4)(b) (in respect of the Existing HOT Unsecured Notes) or (5) of second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*", such Indebtedness is incurred by the Issuer or the Senior Secured Notes Issuer,

provided, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or the Senior Secured Notes Issuer that refinances Indebtedness of an Unrestricted Subsidiary, (ii) Indebtedness of the Issuer owing to and held by Altice VII or any Restricted Subsidiary, Indebtedness of Altice VII owing to and held by the Issuer, Altice VII or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary or (iii) any Finco Proceeds Loan or any Proceeds Loan.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder or majority (or more) owned Subsidiary of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means, without duplication (including, for the avoidance of doubt, without duplication of any amounts paid pursuant to any Tax Sharing Agreement):

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, Altice VII or any Subsidiary of Altice VII);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of Altice VII or any Subsidiary of Altice VII;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, Altice VII or any Subsidiary of Altice VII; or

(e) having made any payment in respect to any of the items for which Altice VII is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer or Altice VII is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that Altice VII and Subsidiaries of Altice VII would have been required to pay on a separate company basis or on a consolidated basis if Altice VII and the Subsidiaries of Altice VII had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of Altice VII and the Subsidiaries of Altice VII.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means a Subsidiary of Altice VII other than an Unrestricted Subsidiary.

"*Revolving Credit Facilities*" means the Existing Revolving Credit Facility and the Additional Revolving Credit Facility.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means Citibank, N.A., London Branch acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, successor or delegate thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Notes Collateral as contemplated by the Indenture.

"*Senior Credit Facility*" means the term loan credit agreement dated on or prior to the Issue Date between the Senior Secured Notes Issuer as borrower and the persons listed in Schedule 2.01 thereto as lenders, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as Security Agent, as amended.

"*Senior Indebtedness*" means, whether outstanding on the Issue Date or thereafter Incurred:

(1) all Indebtedness of the Issuer or any Guarantor outstanding under the Revolving Credit Facilities, Senior Credit Facility, the Guarantee Facility, all Hedging Obligations and all Obligations with respect to any of the foregoing;

(2) the Senior Secured Notes and Guarantees thereof; and

(3) any other Indebtedness of the Issuer or any Guarantor permitted to be incurred under the terms of the Indenture, unless the instrument under which such Indebtedness is Incurred (or the Intercreditor Agreement or any Additional Intercreditor Agreement to which such Indebtedness is subject) expressly provides, in the case of the Issuer, that it is subordinated in right of payment to the Notes, or in the case of any Guarantor, that it is on a parity with or subordinated in right of payment to the Note Guarantee of such Guarantor, including, without limitation, any Subordinated Indebtedness, and all Obligations with respect to any of the foregoing.

Notwithstanding anything to the contrary in the preceding, Senior Indebtedness will not include:

(1) any liability for national, state, local or other taxes owed or owing by Altice VII or any Restricted Subsidiary;

(2) any (i) Indebtedness of Altice VII owing to and held by any Restricted Subsidiary, (ii) Indebtedness of a Restricted Subsidiary owing to and held by Altice VII or any other Restricted Subsidiary or (iii) any Indebtedness of Altice VII or any Restricted Subsidiary owing to any of Affiliate of Altice VII;

(3) any trade payables;

(4) the portion of any Indebtedness that is incurred in violation of the Indenture; or

(5) Indebtedness which is classified as non-recourse in accordance with IFRS or any unsecured claim arising in respect of any insolvency proceedings.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred by Altice VII or any Restricted Subsidiary (other than the Issuer) under clause (2) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(b) and (c), (5), (7), (14) or (15) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of the foregoing; *provided* that, if such Indebtedness is Incurred by the Issuer or any Guarantor, such Indebtedness (other than Indebtedness Incurred pursuant to clause (4)(b) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*") is in each case secured by a Lien (other than (i) Liens on the Capital Stock of the Senior Secured Notes Issuer, Cool, Altice Pool S.à r. l. and, in the event Altice Holding is the surviving entity in the merger between Altice Pool S.à r.l. and Altice Holding, as described under "*The Transactions*", Altice Holding and (ii) Liens on the Proceeds Loans and Subordinated Shareholder Loan, if any, in each case, that secure Pari Passu Indebtedness of the Guarantors that also secure the Notes and the Note Guarantees).

"*Senior Secured Notes*" means, collectively, the €210 million aggregate principal amount of 8% senior secured notes due 2019 and the $460 million aggregate principal amount of $7^7/_8$% senior secured notes due 2019 issued by the Senior Secured Notes Issuer under the Senior Secured Notes Indenture.

"*Senior Secured Notes Indenture*" means the indenture dated as of December 12, 2012, as amended, among, *inter alios*, the Senior Secured Notes Issuer, as Issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Senior Secured Notes.

"*Senior Secured Notes Issuer*" means Altice Financing S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 3, boulevard royal, L-2449 Luxembourg.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) Altice VII's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of Altice VII on a consolidated basis as of the end of the most recently completed fiscal year;

(2) Altice VII's and the Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of Altice VII on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) Altice VII's and the Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of Altice VII on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities (including marketing) engaged in by Altice VII or any of its Subsidiaries on the Issue Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by Altice VII or any of its Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by Altice VII or any Subsidiary of Altice VII which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Note Guarantee of such Guarantor.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to Altice VII by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of Altice VII or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months following the Stated Maturity of the Notes, is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of Altice VII or any of the Restricted Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date.

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

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Subsidiary Guarantor"* means any Restricted Subsidiary (other than the Issuer and the Senior Secured Notes Issuer) that Guarantees the Notes.

"*Taxes*" has the meaning given to such term under "*Withholding Taxes"*.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America, (ii) any European Union member state (other than Greece or Portugal), (iii) the State of Israel, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by Altice VII or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1 "by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of € 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than Altice VII or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either

case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, any European Union member state (other than Greece or Portugal) or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB−" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America or a member state of the European Union (other than Greece or Portugal) eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Altice VII and the Restricted Subsidiaries as shown on most recent the consolidated balance sheet prepared on the basis of IFRS prior to the relevant date of determination.

"*Towers Assets*" communication masts/towers owned by HOT Mobile as part of its mobile telephony infrastructure.

"*Towers Joint Venture*" means the joint venture formed by the contribution of the Towers Assets by HOT Mobile, contribution of towers assets by another Israeli mobile telephony service provider and contribution of financing and operational expertise by an operator that results in nationwide coverage for HOT Mobile mobile telephony services network.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of Altice VII that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Altice VII in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of Altice VII may designate any Subsidiary of Altice VII (other than the Issuer or the Senior Secured Notes Issuer) (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, Altice VII or any other Subsidiary of Altice VII which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of Altice VII and the Restricted Subsidiaries in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of Altice VII shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice VII giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of Altice VII may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Leverage Ratio would be no higher than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Vendor Note Amount*" means an amount not to exceed €135 million.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than such Person or another Wholly Owned Subsidiary of such Person) is owned by such Person or another Wholly Owned Subsidiary of such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

The New Senior Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes"). The Regulation S Global Notes representing the New Senior Notes (the "Regulation S Global Notes") will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

New Senior Notes sold within the United States to "qualified institutional buyers" pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The 144A Global Notes representing the New Senior Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (the "144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the New Senior Notes are in global form, owners of interest in the Global Notes will not have the New Senior Notes registered in their names, will not receive physical delivery of the New Senior Notes in certificated form and will not be considered the registered owners or "holders" of New Senior Notes under the New Indenture for any purpose.

So long as the New Senior Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the New Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the New Indenture.

Neither we, the Registrar nor the Trustee under the New Indenture nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the New Indenture, owners of Book-Entry Interests will receive definitive New Senior Notes in registered form (the "Definitive Registered Notes"):

- if Euroclear and Clearstream notify the Senior Notes notify the Senior Notes Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Senior Notes Issuer within 120 days,
- if Euroclear or Clearstream so requests following an event of default under the New Indenture, or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear and/or Clearstream following an event of default under the New Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream or the Senior Notes Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Transfer Restrictions*", unless that legend is not required by the New Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

We will not impose any fees or other charges in respect of the New Senior Notes, however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of Euroclear and Clearstream, if fewer than all of the New Senior Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided*, *however*, that no Book-Entry Interest of less than €100,000 principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the New Indenture, the Senior Notes Issuer and the Trustee will treat the registered holder of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Trustee, the Registrar nor the U.S. Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or

- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name".

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such New Senior Notes (each a "Holder" and together, the "Holders") through Euroclear and/or Clearstream, as applicable, in euro.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Global Notes in U.S. dollars.

If so elected, a Holder may receive payments of amounts payable in respect of its interest in the Global Notes in U.S. dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such Holder's election. All costs of conversion resulting from any such election will be borne by such Holder.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Senior Notes Issuer that they will take any action permitted to be taken by a holder of the New Senior Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the New Senior Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the New Indenture, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Transfer Restrictions*".

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the "40-day Period"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the New Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the New Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available).

Subject to the foregoing, and as set forth in "*Transfer Restrictions*", Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and Exchange*". Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the New Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such New Senior Notes. See "*Transfer Restrictions*".

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, nor the Initial Purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Initial Settlement

Initial settlement for the New Senior Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Application will be made to the Luxembourg Stock Exchange for the New Senior Notes represented by the Global Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and trading on its Euro MTF Market. We expect that secondary trading in the certificated New Senior Notes will also be settled in immediately available funds.

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TRANSFER RESTRICTIONS

The New Senior Notes have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the New Senior Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The New Senior Notes are being offered, sold and issued to (i) qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) non-U.S. persons as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the New Senior Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

(1) You are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Senior Notes Issuer, you are not acting on behalf of the Senior Notes Issuer and you (A) (i) are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the New Senior Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) (and are not purchasing the New Senior Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the New Senior Notes in an offshore transaction pursuant to Regulation S.

(2) You understand that the New Senior Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the New Senior Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the New Senior Notes, such New Senior Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the New Senior Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S under the U.S. Securities Act; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the Senior Notes Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the Senior Notes Issuer's and the Trustee's right prior to any such offer, sale or transfer pursuant to this clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to them, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the New Senior Notes from you or it of the resale restrictions referred to the legend below.

(3) You acknowledge that none of us, the Initial Purchasers or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the New Senior Notes, other than by us with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the New Senior Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the New Senior Notes as you deemed necessary in connection with your decision to purchase any of the New Senior Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You also acknowledge that:

(a) the Senior Notes Issuer and the Trustee reserve the right to require in connection with any offer, sale or other transfer of New Senior Notes under the paragraph two above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Senior Notes Issuer and the Trustee; and

(b) each Global Note will contain a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "U.S. SECURITIES ACT"), THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER

JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, PLEDGED, ENCUMBERED, DISPOSED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AND IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTES OR ANY INTEREST THERE IN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, (“CODE”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “BENEFIT PLAN INVESTOR”), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAWS”), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS SENIOR SECURED NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-

EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE SENIOR SECURED NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE SENIOR SECURED NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHER THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

(c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE ISSUE DATE AND YIELD TO MATURITY BY CONTACTING ALTICE FINANCING S.A., 3, BOULEVARD ROYAL, L-2449 LUXEMBOURG +352 283 71 079 ATTN: CHIEF FINANCIAL OFFICER.

If you purchase New Senior Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these New Senior Notes as well as to holders of these New Senior Notes.

(1) You acknowledge that the registrar will not be required to accept for registration of transfer any New Senior Notes acquired by you, except upon presentation of evidence satisfactory to the Senior Notes Issuer and the registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) The Senior Notes Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Senior Notes Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any New Senior Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.

(3) You agree that you will give to each person to whom you transfer the New Senior Notes notice of any restrictions on the transfer of the New Senior Notes.

(4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of New Senior Notes issued under Rule 144A under the U.S. Securities Act) or 40 days (in the case of New Senior Notes issued under Regulation S under the U.S. Securities Act) after the later of the closing date and the last date that the Senior Notes Issuer or any of its affiliates was the owner of the New Senior Notes or any predecessor of the New Senior Notes (the "*Resale Restriction Period*"), and will not apply after the applicable Resale Restriction Period ends.

(5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Senior Notes Issuer or the Initial Purchasers that would permit a public offering of the New Senior Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Senior Notes Issuer or the New Senior Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the New Senior Notes will be subject to the selling restrictions set forth hereunder and/or in the front of this Offering Memorandum under "*Notice to European Economic Area Investors*", "*Notice to Certain European Investors*", "*Notice to Israeli Investors*" and/or under "*Plan of Distribution*" or "*Certain Employee Benefit Plan Considerations*".

TAX CONSIDERATIONS

EU Savings Directive

On June 3, 2003, the Council of the European Union adopted the EU Savings Directive. According to the EU Savings Directive, effective as from July 1, 2005, Member States are required to provide to the tax authorities of another Member State details of payment of interest or other similar income within the meaning of the EU Savings Directive made by a paying agent established within its jurisdiction to an individual resident or certain entities called "Residual Entities" (within the meaning of the EU Savings Directive) established in that other Member State or in a Territory (as defined below).

However, for a transitional period, Luxembourg is permitted to apply a withholding tax system whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not opt for the exchange of information or does not provide specific tax certificate reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The rate of withholding is 35% since July 1, 2011. The transitional period is to terminate at the end of the first full fiscal year following the agreement by certain countries to the exchange of information in relation to such payments. The Luxembourg government has announced that it will elect out of the withholding tax system in favor of the automatic exchange of information with effect as of January 1, 2015.

Also with effect from July 1, 2005, a number of non-E.U. countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Sint Eustatius, Bonaire, St. Maarten, Aruba, Cayman Islands, Turks and Caicos Islands and Anguilla) (the "Territories") have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity (within the meaning of the EU Savings Directive) established in one of those Territories.

Investors should note that the E.U. Commission has announced proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an E.U. resident individual, and (ii) a wider range of income similar to interest.

Luxembourg Taxation

The following discussion summarizes certain important Luxembourg taxation principles that may be relevant to you if you invest in, own, hold or dispose of the Notes. Unless otherwise indicated, all information contained in this section is based on laws, regulations, practice and decision in effect in Luxembourg at the date of this Offering Memorandum (as referred to herein, collectively, "*Luxembourg Tax Laws*"), and as such, may be superseded after such date. Any subsequent changes to Luxembourg Tax Laws could apply retroactively and could affect the continued accuracy of this summary. This summary does not purport to be a comprehensive description of all Luxembourg Tax Laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of the Notes and is not intended as tax advice to any particular investor or potential investor in the Notes. You should consult your own tax advisors about the tax consequences of investing in, owning, holding or disposing of the Notes (including with respect to receiving interest on and redeeming the Notes). This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

The residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg Tax Laws and/or concepts only. Any reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate Noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

A Luxembourg non-resident Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

Withholding Tax

In this section, "Interest", "Residual Entities" and "Paying Agent" have the meaning given thereto in the Luxembourg laws of June 21, 2005 implementing the EU Savings Directive (or the relevant agreements). "Interest" will include accrued or capitalized interest at the sale, repayment or redemption of the Notes. "Residual Entities" include, in general, all entities established in the EU and certain Territories (as defined below) other than legal entities, UCITS, and entities taxed as enterprises. "Paying agent" is defined broadly for this purpose and, in the context of the Notes, means any economic entity established in Luxembourg which pays interest on the Notes to, or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the Residual Entity whether the entity is, or acts on behalf of, the Issuers or is instructed by, the beneficial owner, or the Residual Entity, as the case may be, to collect such payment of interest.

Under Luxembourg income tax law currently applicable there is no withholding tax on the payment of interest, principal, premium or (to the extent the transaction is conducted on an arms-length basis) accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes, subject to

a. the application of the Luxembourg laws of June 21, 2005 implementing the Council directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments (the "EU Savings Directive") and several agreements concluded with certain dependent or associated territories (the "Agreements") providing for the possible application of a withholding tax (35% from July 1, 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "Residual Entities" as construed by article 4.2 of the EU Savings Directive) where the Issuers appoint a paying agent established in Luxembourg within the meaning of the EU Savings Directive (see section "EU Savings Directive" below) or Agreements apply; and

b. the application of the Luxembourg law of December 23, 2005 regarding Luxembourg resident individuals (acting within the context of their private wealth) which introduced a 10% final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of June 21, 2005 implementing the EU Savings Directive).

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

Other Withholding Taxes

If interest is paid by an entity that is not considered a Luxembourg entity, other withholding taxes could apply. A company that is considered an Israeli resident for tax purposes paying interest on a note denominated in a foreign currency to an individual who is a non-Israeli resident is required to withhold tax at a rate of 25%, except for interest paid to "material shareholders," who are subject to tax according to their marginal tax rate (currently 48%). "Material shareholders" for these purposes are shareholders who hold directly or indirectly, including with others, at least 10% of any means of control in the company. Taxes to be withheld from interest paid to non-Israeli residents by an Israeli company may be reduced under an applicable tax treaty.

A company that is an Israeli for tax purpose paying interest on a similar note to a corporate entity will be subject to withholding tax in accordance with the applicable corporate tax rate for the year in which the interest is paid. The current corporate tax rate in Israel is 25%.

For purposes of the discussion above, payment by a company who is considered an Israeli resident for tax purposes, of any principal amount of New Senior Notes that is treated as original issue discount for Israeli tax purposes would be subject to tax withholding provisions described above. The New Senior Note would generally be treated as having been issued with original issue discount it its served principal amount exceeds its issue price.

Taxation of the Noteholders

Taxation of Luxembourg residents

Noteholders who are residents of Luxembourg, or non-resident Noteholders that have a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

Luxembourg resident individuals

A Luxembourg resident individual Noteholder acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied on such payments. See paragraph (b) of "—*Withholding Tax*".

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (income tax levied at progressive rates and municipal business tax). For Luxembourg resident individuals receiving interest as income from assets used in their professional capacity, the 10% withholding tax levied is credited against their final tax liability. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

Luxembourg corporate residents

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (corporate income tax and municipal business tax).

Luxembourg corporate residents benefiting from a special tax regime

Luxembourg corporate resident Noteholders that benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended law December 17, 2010, (ii) specialized investment funds subject to the law dated February 13, 2007 or (iii) family wealth management companies subject to the law dated May 11, 2007, are exempt from income tax in Luxembourg except for an annual subscription tax (*tax d'abonnement*) and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

Taxation of non-resident Noteholders

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment, neither a fixed place of business, nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale or exchange of any Notes. Noteholders who are non-residents of Luxembourg and who have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

Net Wealth Tax

Individuals

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Corporations

Corporate Luxembourg resident Noteholders or non-resident Noteholders which maintain a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which the Notes or income thereon are attributable, are subject to an annual Luxembourg net wealth tax on such Notes levied at a rate of 0.5% of their value, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law December 17, 2010, (iii) securitization vehicles governed by the law of March 22, 2004 on securitization (as amended), (iv) a company governed by the law of June 15, 2004 on venture capital vehicles (as amended), (v) a specialized investment fund subject to the law of February 13, 2007 (as amended) or (vi) a family wealth management company subject to the law of May 11, 2007.

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply (i) upon voluntary registration of the Notes in Luxembourg, (ii) in the case of legal proceedings before Luxembourg courts or (iii) in the case that the documents relating to the Notes issuance must be produced before an official Luxembourg authority ("*autorité constitutée*").

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuers, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services. Due to the activity of the Issuers, this value-added tax could be a final cost. Foreign value-added tax that might be payable in respect of fees charged for certain services rendered to the Issuers could also be a final cost.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg at the time of his death for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes in instances where the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

Certain U.S. Federal Income Tax Considerations

Pursuant to Internal Revenue Service ("IRS") Circular 230, you are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on any taxpayer under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Such description was written in connection with the marketing by the Issuer of the New Senior Notes. Taxpayers should seek advice based on the taxpayers' particular circumstances from an independent tax advisor.

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the New Senior Notes by a U.S. Holder thereof as defined below. This description only applies to New Senior Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the New Senior Notes through partnerships or other pass-through entities;

- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or
- U.S. Holders that will hold a New Senior Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the newly effective 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the New Senior Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the New Senior Notes as part of the initial distribution at their initial issue price (generally, the first price to the public at which a substantial amount of the New Senior Notes is sold for money) and assumes that the New Senior Notes will be treated as debt for U.S. federal income tax purposes. If the New Senior Notes are not treated as debt for U.S. federal income tax purposes, the tax consequences of acquiring, owning and disposing of the New Senior Notes could be substantially different from those described herein. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the New Senior Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax consequences described herein. No opinion of counsel to the Issuers or the holders or ruling from the IRS has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the New Senior Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity or arrangement treated as a partnership) for U.S. federal income tax purposes holds the New Senior Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Redemptions and Additional Amounts

In certain circumstances, the Issuer may be obligated to make payments in excess of stated interest and the adjusted issue price of the New Senior Notes and/or redeem the New Senior Notes in advance of their stated maturity. The Issuer intends to take the position that the New Senior Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments. This position is based in part on assumptions, as of the date of issuance of the New Senior Notes, regarding the likelihood that such payments will have to be paid and/or relating to the expected yield to maturity of the New Senior Notes. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in "*—Sale, Exchange or Disposition by a U.S. Holder*" and any payments of Additional Amounts in amount in excess of stated interest and the adjusted issue price would be taxable as additional ordinary income when received or accrued, in accordance with such holder's method of accounting for U.S. federal income tax purposes. The Issuer's position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to the Issuer's position, which could affect the timing and character of a U.S. Holder's income with respect to the New Senior Notes. U.S. Holders should consult their tax advisors regarding the potential application to the New Senior Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the New Senior Notes are not treated as contingent payment debt instruments.

U.S. Holders

Stated Interest

Stated interest on the New Senior Notes (including Additional Amounts and any non-U.S. taxes withheld on payments of such stated interest or Additional Amounts) will generally be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Interest (including original issue discount ("OID"), if any, as described below) included in a U.S. Holder's gross income with respect to the New Senior Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, interest should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income". U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Stated interest paid in euros will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Original Issue Discount

A New Senior Note may be treated as issued with OID for U.S. federal income tax purposes. A New Senior Note will be treated as having been issued with OID for U.S. federal income tax purposes if its stated principal amount exceeds its issue price by at least the "OID de minimis amount". The OID de minimis amount equals $^1/_4$ of 1% of the stated principal amount of the New Senior Note multiplied by the number of complete years from its issue date to maturity.

If a New Senior Note is issued with OID a U.S. Holder will generally be required to include OID in income before the receipt of the associated cash payment, regardless of the U.S. Holder's accounting method for tax purposes. The amount of OID with respect to a New Senior Note a U.S. Holder must include in income is the sum of the "daily portions" of the OID for the New Senior Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the New Senior Note. The daily portion is determined by allocating a pro rata portion of the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the New Senior Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the difference between (1) the product of the "adjusted issue price" of the New Senior Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any stated interest allocable to the accrual period. The "adjusted issue price" of a New Senior Note at the beginning of any accrual period is the sum of the issue price of the New Senior Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the New Senior Note that were not stated interest.

Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods. Under applicable U.S. Treasury Regulations, a U.S. Holder of a New Senior Note with OID may elect to include in gross income all interest that accrues on the New Senior Note using the constant yield method described above. Once made with respect to the New Senior Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting Altice Finco S.A., 3, boulevard royal, L-2449 Luxembourg +352 283 71 079 attn: Chief Financial Officer.

Any OID generally will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of such a New Senior Note), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Sale, Exchange or Disposition by a U.S. Holder

A U.S. Holder's adjusted tax basis in a New Senior Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the New Senior Note.

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a New Senior Note equal to the difference, if any, between the amount realized on the sale, exchange, redemption, retirement or other disposition of the New Senior Note (less any amounts attributable to accrued but unpaid interest, which will be subject to tax in the manner described above under "*—Stated Interest*" to the extent not previously so taxed), and the U.S. Holder's adjusted tax basis in the New Senior Note. If a U.S. Holder purchases a New Senior Note with euros, the U.S. dollar cost of the New Senior Note will generally be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a New Senior Note will generally be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the New Senior Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the New Senior Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of New Senior Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement, or other disposition of a New Senior Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the New Senior Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale or other disposition of a New Senior Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a New Senior Note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such New Senior Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro purchase price for the New Senior Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's euro purchase price for the New Senior Note calculated at the spot rate of exchange on the date of purchase of the New Senior Note. If the New Senior Note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's euro purchase price for the New Senior Note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's euro purchase price for the New Senior Note calculated at the spot rate of exchange on the settlement date of the purchase of the New Senior Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the New Senior Notes.

Exchange of Amounts in Other than U.S. Dollars

If a U.S. Holder receives euros as interest on a New Senior Note or on the sale, exchange, retirement or other disposition of a New Senior Note, such U.S. Holder's tax basis in the euros will equal the U.S. dollar value when the interest is received or at the time of the sale, exchange, retirement or other disposition. If a U.S. Holder purchased a New Senior Note with previously owned non-U.S. currency, gain or loss will be recognized in an amount equal to the difference, if any, between the U.S. Holder's tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss from sources within the United States provided that the residence of the U.S. Holder is considered to be the United States for purposes of the rule governing foreign currency transactions.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the New Senior Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the New Senior Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the New Senior Notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, and to proceeds from the sale or disposition of New Senior Notes that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a New Senior Note to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale or disposition to a holder of a New Senior Note that is not a U.S. person are generally subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the New Senior Notes, subject to certain exceptions (including an exception for New Senior Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the New Senior Notes.

FATCA

Legislation referred to as the Foreign Account Tax Compliance Act ("FATCA") generally may impose withholding at a rate of 30% on interest payments and payments of any gross proceeds of a sale, redemption, or other disposition made to any foreign entity (whether such foreign entity is a beneficial owner or an intermediary) on certain debt obligations. Based on current guidance, the Issuer does not expect payments on the New Senior Notes to be subject to the withholding tax rules under FATCA; however, if the New Senior Notes are modified more than six months after the date final regulations define a "foreign passthru payment" under FATCA, certain "foreign passthru payments" made on the New Senior Notes after January 1, 2017 may become subject to the withholding tax rules under FATCA. If such withholding is required under FATCA, holders and beneficial owners of the New Senior Notes will not be entitled to receive any additional amounts to compensate them for such withholding. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the New Senior Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the New Senior Notes. Prospective purchasers of the New Senior Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the New Senior Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "Plans"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code ("Similar Laws").

Each of us, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one more Plans. Because such parties may receive certain benefits in connection with the sale of the New Senior Notes to such Plans, the purchase of such New Senior Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption may be available. Accordingly, the New Senior Notes may not be purchased using the assets of any Plan if any of us, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the New Senior Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the New Senior Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Senior Notes Issuer, the acquisition or holding of the New Senior Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the New Senior Notes or other indebtedness issued by the Senior Notes Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Senior Notes Issuer also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan's acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption ("PTE") 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 95-60, regarding investments by insurance company general accounts and PTE 96-23, regarding investments by certain "in-house asset managers;". In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NEW SENIOR NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION

AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NEW SENIOR NOTES OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NEW SENIOR NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NEW SENIOR NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER THE SENIOR NOTES ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF “FIDUCIARY” UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NEW SENIOR NOTES, OR AS A RESULT OF ANY EXERCISE BY THE SENIOR NOTES ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NEW SENIOR NOTES, AND NO ADVICE PROVIDED BY THE SENIOR NOTES ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NEW SENIOR NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NEW SENIOR NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NEW SENIOR NOTES OR ANY INTEREST THEREIN OTHER THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NEW SENIOR NOTE.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NEW SENIOR NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NEW SENIOR NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE SENIOR NOTES ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NEW SENIOR NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID *AB INITIO*.

It should be noted that an insurance company’s general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court *in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of New Senior Notes with assets of its general account should consider such purchase and the insurance company’s ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and the U.S. Department of Labor regulation at 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the New Senior Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan’s portfolio with respect to diversification by type of asset; the plan’s funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the New Senior Notes or any interest therein is appropriate for the plan, taking into account the plan’s particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan’s investment portfolio.

The sale of any New Senior Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in this Offering Memorandum, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the New Senior Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

Set forth below is a summary of certain limitations on the enforceability of the Senior Notes Guarantees and the Senior Notes Collateral in each of the jurisdictions in which the Senior Notes Issuer and the Senior Notes Guarantors are organized.

Israel

General Corporate Power

The Israeli Companies Law, 5759-1999 requires a company to indicate its purpose in its articles of association. Thus, the general corporate capacity of an Israeli company to provide a guarantee or security may be limited by its organizational documents (i.e., its articles of association).

Subject to any specific provision in a company's organizational documents, a grant of security or a guarantee by an Israeli company would generally require the approval of its board of directors, absent the existence of any interested party transactions. Transactions involving interested parties may also require approvals of the shareholders, audit committee and/or independent directors.

Limitation on Distributions and Fiduciary Duties

Under Israeli law, in certain circumstances, a company's undertaking to guarantee or provide security for the benefit of its parent company with respect to an amount in excess of the amounts actually received by such company (i.e., with respect to excess amounts received by other entities), will result in the excess being a "distribution" under Israeli law, which term also includes a company purchasing its own shares or assisting with the purchase thereof. Under Israeli law, a company may only make distributions up to the amount of the greater of: (i) its retained earnings and (ii) its cumulative net income over the preceding eight quarters (and provided that it meets the Solvency Test as defined under Israeli law) ("Distributable Profits"). Distributable Profits will be reduced by the amount of prior distributions to the extent not already reflected in the calculation of Distributable Profits. Any distribution which is not out of Distributable Profits will require court approval.

The fiduciary duty of directors requires that they act in the best interests of the company. Thus, the board of directors must determine in each case whether granting a guarantee or security interest is in the best interest of the company.

Security Interests

Under Israeli law, there are generally two types of charges, a fixed charge and a floating charge. A fixed charge is the charge of a certain asset as a security until the debt secured by the charge is settled. A floating charge is a charge over all or an unspecified part of the assets of a company, including its future assets. Unless otherwise specifically stated, a floating charge would include all of a pledging company's assets that by their nature may change from time to time in accordance with the company's business and the nature of its operations. Generally and unless otherwise restricted pursuant to the debenture under which it is created, a floating charge does not restrict the company's conduct in its ordinary course, the sale of the charged assets in the ordinary course of business, or the imposition of additional charges and liens on the company's assets. When the floating charge crystallizes (for example, upon a default), it becomes, in effect, a fixed charge over all the company's assets at the time of crystallization.

A security interest is generally created by an agreement between the company and the creditor (certain security interests by operation of law excluded). The security is perfected against third parties if registered with the Companies Registrar within 21 days of its creation (or, if created by a non Israeli company, upon registration with the Registrar of Pledges); however, certain charges may be perfected by the possession of the asset by the creditor or its agent. A charge over real-estate of a company (a "mortgage") must also be registered with the Land Registry Bureau. Charges over vessels, patents, trademarks and other assets subject to separate government registrars may be also registered with such registrars.

Enforcement of Guarantee and Securities

General

A guarantee is governed by the Guarantee Law, 5727-1967 and is generally enforced as a contract under Israeli law.

Under Israeli law, the realization of a pledge generally requires a court order or, with respect to certain assets, an order from the Office of Execution of Judgments ("Hotzaa Lapoal") and as a practical matter generally results in the appointment of a receiver to manage the assets under supervision of the court. Certain limited exemptions allowing for self-realization apply with respect to certain pledges in favor of certain institutional entities (namely a "Banking Institution" under Israeli law, the Bank of Israel, Israeli insurance companies, Israeli Provident Funds Management Companies, and members of the Tel Aviv Stock Exchange) and certain securities pledges in favor of certain institutional entities. Certain terms and conditions apply to any such "self help" realization procedures including, without limitation, the obligation to provide notice and the obligation to sell the pledged assets in the manner common in the applicable market of the asset (and in the absence of such manner, in a reasonable commercial manner).

Israeli courts would apply Israeli law for the creation, perfection, and enforcement of a security created by an Israeli company over its assets located in Israel. In addition, Israeli courts would generally apply Israeli law for the creation, perfection and enforcement of a security created by a non Israeli company over shares physically located in Israel.

Insolvency

Under Israeli law, if, among other things, a company is insolvent or the company adopts a special resolution approving a court supervised liquidation, a company can be placed into involuntary liquidation through a liquidation order issued by the court. Upon the issuance of a liquidation order with respect to an Israeli company in the process of liquidation by the court (or the appointment of a temporary receiver therefor), there is an automatic stay of proceedings. The court may also impose a stay prior to the granting of the order of liquidation but after the filing of a petition for liquidation. In a process of voluntary dissolution, which is initiated by the determination of shareholders to dissolve the company, while there is no automatic stay of proceedings, the liquidator may apply to the court for a stay of proceedings.

As long as the stay is in effect, the continuance or commencement of any proceeding against the company is prohibited other than with the permission of the court or upon certain limited circumstances, which include the right of secured creditors to enforce their security to recover up to the amount of their secured debt. Any balance from such realization exceeding the secured debt will form part of the assets of the company to be distributed by the liquidator. If the value of the security is less than the value of the debt, then the secured creditor may recover the balance of the sum owed to it (exceeding such value) pari passu with the unsecured creditors. In addition, the liquidator may disclaim certain unfavorable contracts of the company.

A transaction in the assets of the company made after the commencement of the liquidation is void unless the court has otherwise ordered. In addition, certain security interests created in proximity to liquidation may be voided at liquidation. Such transactions include a floating charge created in the six months prior to liquidation (unless it is proven that the company was solvent immediately after the creation thereto), a transaction made when the company was not able to pay its debts when due, the transaction was entered into to create a preference or the transaction was entered into within three months prior to the petition for liquidation.

Reorganization

The Israeli Companies Law provides for a reorganization process for a company regardless whether the company is insolvent. A company (or an administrator or liquidator) or any creditor or shareholder of a company may request the court to summon a meeting of creditors or shareholders to agree to a compromise or arrangement between the company and its creditors or shareholders.

The court has a general authority to impose a stay of proceedings upon a request for a creditors and/or shareholders arrangement or compromise. As long as the stay is in effect, the continuance or commencement of any proceeding against the company is prohibited, including the realization of pledged assets and crystallization of a floating charge which require the consent of the court, which is conditioned upon the court determining that the pledgee was not provided adequate protection, or that the realization would not undermine the ability to formulate and approve the plan.

Pursuant to amendments to the Israeli Companies Law which are to become effective in January 2013, an authorized person appointed by the court in case of a request for arrangement or compromise may sell pledged assets if deemed necessary for the rehabilitation of the company, provided that the secured creditors have "adequate protection" from the proceeds of the sale or other assets acquired in substitution of the sold assets. These amendments also provide that such authorized person may cause the company to raise new financing secured by assets that are already charged and, if determined by the court to be necessary, such new security would be senior to the then-existing security; provided that the court determined that there is "adequate protection" for the existing secured lenders.

Special Regulatory Approvals

The approval of the Israeli Ministry of Communications is required prior to the realization of the security interest granted (whether directly or indirectly) over the shares of Cool Holding, SPV1, HOT and HOT Net and the interests in HOT Telecom, and prior to a realization that would result (whether directly or indirectly) in a change in the identity of the shareholders of a licensee under the Telecommunications Law, and over the assets of HOT (which realization may not interfere with the orderly provision of the services). There is no set time period for review by the Israeli Ministry of Communications and such approval may be withheld or delayed by the Israeli Ministry of Communications in its sole discretion.

Priority of Claims

Generally, the priority of claims on a company's assets will be determined in the following order:

1. Secured Creditors—including: (a) statutory pledges, such as taxes due; (b) certain costs related to execution of judgments; and (c) secured creditors with valid security interests including fixed equitable charges, legal mortgage and floating charges which crystallize prior to the liquidation process and holders of a contractor's lien;

2. Liquidation expenses;

3. Preferential creditors—specifically certain employee wages (to a limited extent), and different payments or taxes to tax authorities;

4. Pledgees under floating charges which crystallized with the liquidation of the company;

5. Unsecured creditors; and

6. Shareholders.

Luxembourg

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

Corporate power

Limits on corporate power can either be imposed (i) by law or (ii) by the articles of association of the company.

1. Limitations imposed by law.

Pursuant to the Luxembourg Civil Code, a company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the company's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances when there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee/security interest could be challenged for lack of any interest by the guarantor in providing the guarantee/security interest.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

2. Limitations imposed by the articles of association.

The provision of guarantees or security interest by a company must be within the limits of the object clause of its articles of association.

Should the provision of a guarantee or security by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate authority

When a Luxembourg company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

Corporate benefit

The third condition for a guarantee/security interest to be granted by a Luxembourg company is that the proposed action by the company must be "in the corporate interest of the company", which words are a translation of the French *intérêt* social, an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior". Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In that context, the concept of a group of companies may be relevant, and while it should first be analyzed whether a transaction is in the best interest of the company on a standalone basis, it should also be examined whether the transaction is justified in the light of the interest at the level of the group, which may result in a benefit for the guarantor.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economical, social, or financial policy applicable throughout the whole group;

- the existence of a group should be evidenced through capital links; or

- the proposed action must not (i) be without any consideration, or alternatively (ii) break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee.

However, the failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the guarantee/security interest so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or

- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee/security interest granted; or

- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the guarantee/security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the guarantee/security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the "assisting" company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;
- the guarantee must not exceed the assisting company's financial means;
- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and
- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above have to be applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor.

As a result, the guarantees (upstream and cross stream) granted by a Luxembourg company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under the transaction documents.

The New Indenture contains the following limitation language:

The guarantee granted by any Senior Notes Guarantor which is incorporated and/or having its registered office and its place of central administration in Luxembourg (a "Luxembourg Guarantor") for the obligations of the Senior Notes Issuer which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall be limited at any time to an aggregate amount not exceeding:

(A) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or Subsidiaries of that Luxembourg Guarantor (which are Subsidiaries of that Luxembourg Guarantor on the Completion Date or which will be Subsidiaries of that Luxembourg Guarantor hereafter) by the Senior Notes Issuer which have been funded directly or indirectly with proceeds deriving from the sale of the New Senior Notes increased by

(B) the greater of:

(1) 90% of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the Luxembourg law of 19 December 2002 on the commercial register and annual accounts, as amended (the "2002 Law") as at the Completion Date (whether as original party or by way of accession); or

(2) 90% of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the 2002 Law, as at the date on which a demand is made under the New Senior Notes; or

(3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and liabilities of the Luxembourg Guarantor (as determined by the Agent or if the Agent so decides by a Luxembourg statutory approved auditor (*réviseur d'entreprise agréé*) (an "Independent Auditor") as at the Completion Date (whether as original party or by way of accession); or

(4) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as at the date on which a demand is made under the New Senior Notes).

Security interests considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement must be (i) acknowledged by the company which has issued the shares and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional registration in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;

- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;

- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or

- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in article 20.4 of the Collateral Act 2005, a third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

Registration in Luxembourg

The registration of the transaction documents with the *Administration de l'Enregistrement et des Domaines in Luxembourg* may be required in the case of legal proceedings before Luxembourg courts or in the case that they must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Collateral Act 2005.

The Luxembourg courts or the official Luxembourg authority may require that the transaction documents and any judgment obtained in a foreign court be translated into French or German.

Portugal

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) capacity and (ii) corporate authority. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

Capacity

Limits on capacity can either be imposed (i) by law or (ii) by the articles of association of the company.

1. Limitations imposed by law.

Pursuant to the Portuguese Companies Code (*Código das Sociedades Comerciais*) (the "Companies Code"), a company incorporated in Portugal (a "Portuguese Company") has the capacity to enter into any agreements, including financing and security agreements as long as they are necessary or convenient to pursue its purposes. Therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are deemed usual in accordance with the circumstances of time and the own means of the company.

The Companies Code sets outs some restrictions on capacity of Portuguese Companies, in particular in what concerns the granting of security interest and guarantees to secure and guarantee the obligations of third parties. Pursuant to article $^{6}/_{3}$ of the Companies Code, companies may guarantee third parties' obligations provided that:

- The third party is in a controlling or a group relationship (*relação de domínio ou de grupo*) as defined in the Companies Code; or

- The company has a justified own interest (*justificado interesse próprio*) in guaranteeing the obligations of such company.

Under the Companies Code the definition of "controlling relationship" includes relationships between Portuguese companies where one holds, directly or indirectly the majority of the share capital or the voting rights in, or the right to appoint the majority of the members of the board of directors or supervisory board of another company on, the other company. A "group relationship" includes relationships between companies where one is 100% owned or controlled, directly or indirectly, by the other or between companies that are bound by a group agreement or a subordination agreement whereby one company is subject to the instructions or management of the other.

In the absence of a controlling or a group relationship, the validity of a guarantee/security interest could be challenged if there is no actual and reasonable direct or indirect potential benefit to the Portuguese Company.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization or the limitation on financial assistance to shareholders or third parties whereby the guarantee or security interest provided by a Portuguese company cannot be extended to cover any indebtedness used to fund, directly or indirectly, the acquisition or subscription of the share capital of such Portuguese company or its parent company (or, if applicable, in any other company which may indirectly control the Portuguese company).

2. Limitations imposed by the articles of association.

The provision of guarantees or security interest by a company must be within the limits of the corporate purpose clause of its articles of association.

Should the provision of a guarantee or security by a Portuguese company be considered to exceed the corporate purpose as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate purpose or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate authority

When a Portuguese Company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution and/or by a shareholders meeting resolution and, where applicable, that the own interest (*interesse próprio*) of the Portuguese Company be justified in such resolution(s).

Public policy

The guarantee/security interest or any of its provisions could be held unenforceable, if it is deemed to be contrary to public policy (*ordem pública*).

Limitation language

The granting of guarantee/security interest in breach of capacity and financial assistance rules could entail criminal and civil liability incurred by the directors or managers of the Portuguese Company.

As a result, the guarantees and collateral (in particular, upstream and cross stream) granted by a Portuguese Company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) (which will be included in the supplemental indentures executed by the Portuguese Companies), and which covers the maximum aggregate obligations and exposure of the relevant Portuguese Company under the transaction documents and excludes any obligations that may be deemed to constitute financial assistance pursuant to article 322 of the Portuguese Companies Code (*Código das Sociedades Comerciais*—"CSC") and/or a breach of the restrictions on capacity set out in article 6(3) of the CSC.

Security interests considerations

Governing law

According to Portuguese conflict of law rules, the courts in Portugal will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Portuguese law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Portugal, such as registered shares in Portuguese companies, bank accounts held with a Portuguese bank in Portugal, receivables/claims governed by Portuguese law and/or having debtors located in Portugal, movable assets located in Portugal, securities which are held through a securities account located in Portugal, bearer securities physically located in Portugal, etc.

If there are assets located or deemed to be located in Portugal, the security interests over such assets will be governed by Portuguese law and must be created, perfected and enforced in accordance with Portuguese law.

Perfection

Under Portuguese law, the perfection of security interests depends on certain registration, notification and/or acceptance requirements. As an example, the pledge of nominative shares represented by certificates must be (i) notified to, or acknowledged by, the company which has issued the shares, (ii) endorsed in the shares certificates and (iii) registered in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor after it has been notified to, or acknowledged by, the debtor. A bank account pledge becomes effective against the banks after having been notified to, or acknowledged by, the account bank. Mortgages over real estate must be registered with the Real Estate Registry Office.

Enforcement methods

In the case of a share pledge, bank account pledge and receivable pledge or assignment as security, the enforcement methods which are generally considered more suitable are (i) private sale (*venda extraprocessual*), (ii) foreclosure (*apropriação*) in case of financial pledges and/or (iii) disposal of collateral assigned as security. The private sale and foreclosure are only allowed if the security agreement so provides. The foreclosure is permitted for financial pledges over securities and cash deposits and provided that the parties agree the valuation method. Court enforcement is also possible but is usually considered to be lengthier and could prejudice the recovery of the claims.

Rights of third parties

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. A third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Language

Portuguese law documents may be executed in English. However, in case of enforcement the Portuguese courts or any other official Portuguese authority may require that the transaction documents and any judgment obtained in a foreign court be translated into Portuguese.

Insolvency

The ability of the Noteholders to enforce, secure and realize their rights under guarantees or security interests granted by a company incorporated in Portugal (a "Portuguese Company") may be delayed, restricted, subordinated, completely terminated or otherwise adversely affected in any insolvency proceedings conducted under Portuguese jurisdiction or subject to Portuguese law. The following factors, among others, may adversely affect rights of secured creditors generally and in insolvency proceedings particularly:

- *Voidability of prejudicial transactions.* Under Decree-law 53/2004 of 18 March 2004, as last amended by Law 66 - B/2012 of 31 December 2012 (the "Portuguese Insolvency Code"), any transfer of assets, granting of guarantees or creation of security interests by a Portuguese Company may be terminated by the insolvency administrator irrespective of any other conditions in an insolvency proceeding of the Portuguese Company (the "Presumed Prejudicial Transactions") if, *inter alia*, (i) the guarantee is granted in the six months prior to the initiation of the insolvency proceeding and is related with transactions which are not in the best interest of the Portuguese Company, (ii) the security interest is given in respect of existing obligations or new obligations replacing such existing obligations within six months prior to the initiation of the insolvency proceedings, (iii) the security interest is granted simultaneously with the creation of the secured obligations if they are undertaken in the sixty days prior to the initiation of the insolvency proceedings or (iv) the agreements are executed against consideration during the year before the insolvency petition is filed and the obligations of the Portuguese Company are deemed excessive when compared with those of the counterparty.

- *Voidability of other transactions.* In addition to the Presumed Prejudicial Transactions described above, the insolvency administrator may also terminate any transactions entered upon by the Portuguese Company during the two years prior to the initiation of the insolvency proceedings, which cause the reduction, place at risk, or which postpone the exercise of the creditors' rights and are entered into in bad faith by the counterparty. Bad faith will be deemed to exist if the beneficiaries knew, at the time the security or guarantee was given, that (i) the Portuguese Company was insolvent, (ii) the granting of the security would be prejudicial and that the insolvency was imminent and (iii) the insolvency proceedings had already been initiated. Bad faith is also presumed to exist in relation to any transaction entered upon with or benefiting a related entity in the two years before the initiation of the insolvency proceedings irrespective of whether such relation existed or not on the date the transaction was entered upon.

- *The issuance of an insolvency order by a court of competent authority in respect of a company results in a stay of proceedings.* The insolvency order creates a stay on all enforcement actions pending against the debtor. After the issuance of the insolvency order, the administration and disposal of assets will be decided by a court appointed administrator.

- *Claims and rights of creditors of a company in insolvency proceedings may abate in whole or in part due to insufficient funds and assets of the company in insolvency.* Under the Portuguese Insolvency Code higher ranking creditors of a certain class will be permitted to satisfy their interests prior to creditors of lower rankings, and creditors of the same class will have a *pro rata* right to secure and satisfy their interest with other creditors of the same class. Creditors holding a pledge or charge in relation to the insolvent's assets rank higher in priority to shareholders and other unsecured creditors of a company. Such creditors are entitled to receive the proceeds from the disposal of the pledged asset to satisfy their claim but will be treated as unsecured creditors with respect to any portion thereof not entirely satisfied by the proceeds received from the disposal of the pledge if such proceeds are insufficient to repay their entire claim. Creditors holding a pledge or charge may, however, be only be paid after (i) the debts of the insolvent company incurred during the insolvency proceedings, the court fees and other costs concerning the proceeding, subject to certain requirements and limits, (ii) the debts of creditors statutorily preferred under Portuguese law (*e.g.* tax authorities holding a lien in respect of taxes owed and not paid on real estate property of the company) and (iii) the debts of certain creditors holding statutory liens (*e.g* employees).

France

Limitations on guarantees

Corporate benefit, financial assistance and other limitations

For a French company to give a guarantee, certain procedural and substantive requirements must be satisfied. As part of these substantive requirements, the granting of a guarantee by such French company must be for its corporate benefit (*intérêt social*). There is no statutory definition of corporate benefit under French law. The existence or the absence of a corporate benefit is assessed on a case-by-case basis and on a company-by-company basis.

In certain circumstances, where a French company acts in breach of its requirement to act for its corporate benefit, its officers may incur civil and/or criminal liability. In addition, under French law, a French court may, under certain circumstances, set aside a guarantee granted by a French company if such company derives no corporate benefit.

While the granting of guarantees by a parent company with respect to the obligations of its subsidiary are deemed to be, in principle, for the corporate benefit of the parent company, the granting of cross or upstream guarantees by a subsidiary may be more problematic from that perspective.

Furthermore, under French financial assistance rules, a company limited by shares may not advance funds, grant loans or grant security for the purposes of the subscription or the acquisition of its own shares by a third party. Breach of French financial assistance rules may result in criminal liability for the officers of the company acting in breach of these rules and their accomplices.

Based upon the above, guarantee limitation language has been agreed in this transaction with respect to the Senior Notes Guarantees to be granted by Senior Notes Guarantors incorporated under the laws of France (each, a "**French Guarantor**") in respect of the payment obligations of the Issuer under the New Senior Notes:

- the obligations and liabilities of a French Guarantor under its Senior Notes Guarantee will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241-3, L. 242-6 or L.244-1 of the French Commercial Code; and

- the obligations and liabilities of a French company under its Senior Notes Guarantee for the obligations of any Issuer under the New Senior Notes shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the New Senior Notes to the extent directly or indirectly on-lent by such Issuer to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and be limited to the amount outstanding, if any, at the time a demand is made from such French Guarantor under its Senior Notes Guarantee; it being specified that:

  - any payment made by such French Guarantor under its Senior Notes Guarantee in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by such French Guarantor to that obligor under the intercompany loan arrangements referred to above;

  - any payment made by such French Guarantor under the *Guarantee and Indemnity* provisions of the New Term Loan and the New Revolving Credit Facility in respect of the obligations of any other obligor shall (without double-counting) reduce pro tanto the outstanding amount of the intercompany loans (if any) due by such French Guarantor to that obligor under the intercompany loan arrangements referred to above.

However, the balance of such inter-company loans, which are financed directly or indirectly with the proceeds of the New Senior Notes, will increase and decrease in the ordinary course of business, in line with the needs of the business and availability of such proceeds for other utilizations.

A French insolvency court may also refuse to enforce a guarantee if it is determined that the grantor was insolvent at the time the guarantee was granted and that the relevant secured party had knowledge, at the time the guarantee was granted, of such insolvency.

Grace periods

A French court may, pursuant to articles 1244-1 *et* seq. of the French Civil Code, in any civil proceedings involving a debtor, whether initiated by the debtor or its creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of the principal. If a court order under article 1244-1 of the French Civil Code is made, it will suspend any pending enforcement measures that may have been initiated by the creditors, and any contractual interest or penalty for late payment will not accrue or be due during the grace period ordered by the court. A creditor cannot contract out of such grace periods.

French insolvency laws

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors. Consequently, the commencement of pre-insolvency or insolvency proceedings at the level of a company which has provided security and/or a guarantee in respect of the New Senior Notes may limit the ability of holders of the New Senior Notes to enforce a guarantee and/or security granted by such company in relation to the New Senior Notes.

Under Council Regulation (EC) No.1346/2000 of 29 May 2000 on insolvency proceedings, French courts may have jurisdiction over the main insolvency proceedings of a company incorporated in the jurisdiction of another EU Member State if the center of main interests of such company is deemed to be in France. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the New Senior Notes in this respect.

Insolvency (*cessation des paiements*) under French law

Under French law, a company is deemed insolvent (*en cessation des paiements*) when it is not able to pay its debts which are due with its available assets taking into account credit lines available to it, and debt rescheduling which its creditors have granted to it.

Warning procedure (*procédure d'alerte*)

In order to anticipate a debtor's difficulties to the extent possible, French law provides for warning procedures. Indeed, when there are elements which they believe put the company's existence as a going concern in jeopardy, the statutory auditors of a company can request the management to provide an explanation. Failing satisfactory explanations or corrective measures, the auditors can request that a board of directors (or the equivalent body), and, at a later stage, the shareholders' meeting be convened. Depending on the answers provided to them (and the type of company), the auditors can or must inform the President of the relevant Commercial Court of the warning procedure.

Shareholders representing at least 5% of the share capital and the workers' committee (or, in their absence, the employees' representatives) have similar rights.

The President of the relevant Commercial Court can also himself summon the management to provide explanations on elements which the President of the court believes put the company's existence as a going concern in jeopardy (or when the company has not filed its financial statements within the statutory timeframe, despite his injunction).

Court-assisted pre-insolvency proceedings

A company that has its center of main interests in France and faces difficulties may request the commencement of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders under the aegis of a third party moderator (*mandataire ad hoc* or *conciliateur*), whose name can be suggested by the debtor, appointed by the President of the relevant court (usually the

Commercial Court). These proceedings are amicable, confidential (subject to the details below as regards conciliation proceedings) and do not involve any automatic stay.

Mandat ad hoc proceedings

French law does not provide for any specific rule in respect of *mandat ad hoc*. In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic, legal or financial nature but are not insolvent. The *mandataire ad hoc*'s duties are determined by the relevant court. This *mandataire ad hoc* is usually appointed in order to facilitate the negotiations with the debtor's main creditors or stakeholders but he cannot coerce the creditors to accept any proposal and the dissenting creditors will not be bound by the arrangement, if any. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they generally abstain from doing so. *Mandat ad hoc* proceedings are confidential and are not limited in time. The agreement reached by the parties (if any) with the help of the *mandataire ad hoc* can be reported by the latter to the President of the court but is not sanctioned by the court or the President of the court.

In any event, the debtor retains the right to petition the relevant judge for a grace period as set forth in article 1244-1 *et seq*. of the French Civil Code (see "*France—Limitations on guarantees—Grace periods*").

Conciliation proceedings

Conciliation proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which is not insolvent or has not been insolvent for more than 45 days. The debtor petitions the President of the Commercial Court for the appointment of a conciliator in charge of assisting the debtor in negotiating an agreement with all or part of its creditors and stakeholders. *Conciliation* proceedings are confidential (subject to the below) and may last up to five months. During the proceedings, creditors may continue to individually claim payment of their claims. However, if, during the *conciliation* proceedings, a creditor initiates a legal action against the debtor or gives the debtor formal notice to pay, the debtor retains the right to petition the President of the Court for debt rescheduling for a maximum of two years pursuant to article 1244-1 *et seq.* of the French Civil Code (see "*France—Limitations on guarantees—Grace periods*"). In that case, the President of the Court who commenced the *conciliation* proceedings has jurisdiction and will take his/her decision after having been informed by the conciliator (*conciliateur*).

Upon its execution, the agreement reached by the parties becomes binding upon them and creditors party thereto may not take action against the company in respect of claims governed by the agreement. In addition, without such formalities being an obligation on the parties, the agreement can be either:

- upon all parties' request, acknowledged (*constaté*) by the President of the court, which makes it immediately enforceable. The acknowledgement of the conciliation agreement keeps the conciliation proceedings confidential; or

- upon the debtor's request, sanctioned (*homologué*) by a decision of the court, subject to the satisfaction of certain conditions (*i.e.*: (i) the debtor is not insolvent or the conciliation agreement puts an end to the debtor's insolvency; (ii) the conciliation agreement effectively ensures that the company will survive as a going concern; and (iii) the agreement does not infringe upon the rights of the non-signatory creditors). The judgment will make the conciliation proceedings public only in respect of the existence of the conciliation proceedings but not in respect of the content of the agreement (except for the guarantees and security interests as well as the amount of "new money" detailed below, as provided for in the agreement) which shall have the following specific consequences:

- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-petition and post-petition claims (other than certain pre-petition employment claims and procedural costs), in the event of subsequent safeguard (including the accelerated financial safeguard proceedings referred to below) proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (*cessation de paiements*) and therefore the starting date of the so-called suspect period (as defined below) cannot be set by the court at a date earlier than the date of the sanction of the agreement by the court, except in the case of fraud (see the definition of the date of the *cessation des paiements* above).

Joint debtors, personal guarantors, or any third party that granted a security interest can benefit from the provisions of the sanctioned or acknowledged agreement. Provided the agreement (whether acknowledged, sanctioned or not) is duly executed, any individual proceedings by creditors with respect to the claims included in the agreement are suspended.

In case of breach of the agreement, any party thereto can petition the court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, except for those amounts already paid to them. In any event, the debtor retains the right to petition for debt rescheduling pursuant to article 1244-1 *et seq.* of the French Civil Code (see "*France—Limitations on guarantees and security interests—Grace periods*").

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings as described below.

Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings

Court-administered insolvency proceedings may be initiated:

- in the event of safeguard or accelerated financial safeguard proceedings, upon petition by the debtor only; and

- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor. The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. It is required to petition for the commencement of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of it becoming insolvent (unless it filed for conciliation proceedings in the meantime). If it fails to do so, its directors and officers may incur civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a judicial reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months. During the observation period, a court-appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company. Creditors do not have effective control over the procedure, which remains in the hands of the company and the administrator and is overseen by the court. In safeguard proceedings, the administrator's mission is limited to either supervising or assisting the debtor's management and assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which proposals may include a business continuation plan (equivalent to a safeguard plan) and/or the sale of all or part of the company's business to a third party. In judicial reorganization, the court may also decide that the administrator will manage the company alone in lieu of the debtor's management.

At the end of the observation period, if it considers that the company can survive as a going concern, the court will adopt a safeguard or reorganization plan which will essentially entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor's assets and businesses (a sale of the entire business is not possible in a safeguard plan). At any time during safeguard proceedings, the court may convert at its own initiative such proceedings into reorganization proceedings if the debtor becomes insolvent or at the debtor's request, if the approval of a safeguard plan is manifestly impossible and if the company would become insolvent should safeguard proceedings end. At any time during safeguard or reorganization proceedings, the court may also convert such proceedings into liquidation proceedings if the debtor is insolvent and its recovery is manifestly impossible. However, it cannot be ruled out (further to a recent decision from the French Constitutional Court dated December 7, 2012), that the constitutionality of the conversion of safeguard proceedings into judicial reorganization or liquidation proceedings, when it is decided upon the judge's own initiative, may be challenged.

Creditors' committees and adoption of the safeguard or reorganization plan

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million) or where authorized by the supervising judge for smaller companies, two creditors' committees (one for credit institutions having a claim against the debtor or entities having granted credit or advances in favor of the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers—the smaller suppliers, if invited by the administrator, may elect to be members of such committee) have to be established. To be eligible to vote, suppliers must have their claims set forth in the list provided by the debtor to the judicial administrator as certified by the debtor's statutory auditor (or, in its absence, its accountant).

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes), a general meeting gathering all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those *obligations* (the "bondholders' general meeting"). The New Senior Notes would constitute *obligations* for the purposes of a safeguard or reorganization proceedings and the Noteholders would therefore vote within the bondholders' general meeting.

These two committees and the bondholders' general meeting will be consulted on the safeguard or reorganization plan drafted by the debtor's management, together with the judicial administrator, during the observation period.

The draft plan submitted to the committees and the bondholders:

- must take into account subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may in particular include a rescheduling or cancellation of debts and debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

In the first instance, the plan must be approved by each of the two creditors' committees. Each committee must announce whether its members approve or reject such plan within 20 to 30 days of its proposal to the debtor (such time can be reduced or extended by the supervising judge, at the request of the debtor or the judicial administrator, it being noted that it cannot last less than 15 days). Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee that express a vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two-thirds of the amount of the claims held by bondholders expressing a vote in the bondholders' general meeting.

Creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote. For those creditors outside such committees or where no such committees have been convened, the creditors' representative may elect not to consult them.

Following approval by the creditors' committees and the bondholders' general meeting (and approval by each creditor that is not a member of the committees or a bondholder of a proposal, including in particular a rescheduling or a cancellation of part of its debt), the plan has to be approved by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan), as well as those creditors outside such committees / general meeting (it being noted that they can only have imposed upon them debt rescheduling by the court as detailed below).

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan (or has not rendered its decision within 6 months of the judgment commencing the proceedings), the plan will not be approved by the court, which can still adopt a safeguard plan in the time remaining until the end of the observation period, in which case a consultation of the creditors on an individual basis will take place. They will be asked whether they accept rescheduling, cancellation of debt and/or debt-for-equity swaps provided for in the draft plan. Where the consultation is in writing, the creditor is deemed to have accepted the debt rescheduling and/or write-offs proposal if he fails to respond within thirty days upon receipt of the creditors' representative's letter. However, with respect to debt-to-equity swap proposals, the creditors' representative must obtain the agreement of each individual creditor in writing within this 30-day timeframe.

In such circumstances, for those individual creditors who have not reached a negotiated agreement, the court can only impose uniform debt deferrals over a maximum period of 10 years, except for claims with maturity dates of more than 10 years, in which case the maturity date shall remain the same. The court cannot impose on them debt write-offs or debt-to-equity swaps. The same rule applies with respect to creditors who are not members of the committees, or where no such committees or general meeting of bondholders are convened.

The first payment must be made within a year of the judgment adopting the plan (as from the third year included, the minimum annual installment is 5% of the total admitted liabilities), it being noted, however, that if the contractual provisions relating to a debt claim provide that the principal amount of such debt claim is repayable *in fine* and its maturity date falls within the implementation period of the plan, the repayment of such principal amount only starts on the first annual installment date (as set out in the plan) following the original contractual maturity date of that debt claim and such payment follows specific rules.

Court-administered proceedings—accelerated financial safeguard proceedings

A debtor in conciliation proceedings may request commencement of accelerated financial safeguard proceedings. Accelerated financial safeguard proceedings are very similar to safeguard proceedings (see above) but have been designed to "fast-track" purely financial difficulties of large companies having (i) either more than 150 employees or a turnover greater than €20 million or (ii) whose total balance sheet exceeds (a) €25 million or (b) €10 million if they control another company (A) which has more than 150 employees or (B) whose turnover for the previous financial year is greater than €20 million or (C) whose total balance sheet exceeds €25 million.

The proceedings apply only to debt owed to financial institutions and bondholders (*i.e.*, debts towards creditors eligible to be part of the credit institutions' committee and bond debts) the payment of which is to be affected by the plan adopted through accelerated financial safeguard proceedings, other debts continuing to be paid in the ordinary course of business (*e.g.*, trade debt or debt to the tax or social security administrations) in accordance with their contractual or legal terms.

Other creditors, such as public creditors (*e.g.*, the tax or social security administration) or suppliers, are not directly impacted by accelerated financial safeguard proceedings. Their debt continues to be due and payable according to their contractual or legal terms. The list of claims of credit institutions and bondholders party to the conciliation proceedings shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims (see below) unless the creditors otherwise elect to make such a filing (see below).

To be eligible to accelerated financial safeguard proceedings, the debtor must fulfill three conditions:

- as is the case for regular safeguard proceedings, the debtor must (i) not be insolvent and (ii) face difficulties which it is not able to overcome;

- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the commencement of the accelerated financial safeguard proceedings;

- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its financial creditors (*i.e.*, credit institutions and bondholders) to render likely its adoption by the credit institutions' committee and the bondholders' meeting, if any, within a maximum of two months of the commencement of the proceedings.

Where accelerated financial safeguard proceedings are commenced, the credit institutions' committee and the bondholders' general meeting are convened and are required to vote on the proposed safeguard plan within a minimum period of eight days of delivery of the proposed plan (as compared to a minimum period of 15 days for regular safeguard proceedings).

The total duration of the accelerated financial safeguard proceedings (*i.e.*, the period between the judgment commencing accelerated financial safeguard proceedings and the judgment adopting the plan) is one month, unless the court decides to extend it by one additional month.

Status of creditors during safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings

Contractual provisions pursuant to which the commencement of the proceedings constitutes an event of default are not enforceable against the debtor, while the judicial administrator can unilaterally request the termination of ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The judicial administrator can, on the contrary, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that it fully performs its post-petition contractual obligations.

In addition, during the observation period:

- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is deferred by at least one year);

- the debtor is prohibited from paying debts incurred prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge to recover assets for which recovery is justified by the continued operation of the business; and

- creditors may not pursue any individual legal action against the debtor (or, in safeguard or reorganization proceedings, against a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:

  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);

  - to terminate a contract for non-payment of pre-petition amounts owed to the creditor; or

  - to enforce the creditor's rights against any assets of the debtor, except where such asset—whether tangible or intangible, moveable or immoveable—is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency procedure, in accordance with the terms of article 5 of EC Regulations 1346/2000).

In accelerated financial safeguard proceedings, the above rules only apply to the creditors which are subject to the proceedings (*i.e*., creditors eligible to the credit institutions' committee and bondholders).

As a general rule, creditors domiciled in France whose claims arose prior to the commencement of proceedings must file their claims with the creditors' representative (*mandataire judiciaire)* within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*) (provided that the deadline starts upon receipt of an individual notification for those creditors whose claim arose out of a published contract or who benefit from a published security interest); this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the plans sanctioned by the court. Employees are not subject to limitations and are preferred creditors under French law.

In accelerated financial safeguard proceedings, a simplified process is applicable to financial creditors that took part in the conciliation proceedings.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

In case of judicial reorganization or liquidation with a continuation of the business, if the court adopts a plan for the sale of the business (*plan de cession*), the proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking. However, in practice, where a plan for the sale of the business is considered, it will usually appoint a judicial administrator to manage the company and organize such sale of the business process.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-petition legal costs (essentially fees of the officials appointed by the insolvency court), creditors who, as part of a sanctioned conciliation agreement, have provided new money or goods or services, certain pre-petition secured creditors in judicial liquidation proceedings only, post-petition creditors, the French State (taxes and social charges), other pre-petition secured creditors and pre-petition unsecured creditors.

Judicial reorganization or liquidation proceedings

Judicial reorganization or liquidation proceedings (*redressement or liquidation judiciaire*) are open to insolvent debtors, whose recovery prospects are respectively possible or manifestly impossible. They may be initiated upon petition by the debtor or any creditor or the public prosecutor, or, for liquidation proceedings, at the court's own initiative (such an initiative as regards the commencement of the judicial reorganization proceedings having however recently been held anti-constitutional by the French Constitutional Court in its decision dated December 7, 2012 (see "*France—Limitations on guarantees—Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings*"). Further to such decision, it cannot be ruled out that likewise the commencement of judicial liquidation proceedings at the court's own initiative will be challenged). The company is required to petition for such insolvency proceedings (or for conciliation proceedings as discussed above) within 45 days of becoming insolvent. If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers may be subject to civil liability.

The date of insolvency is generally deemed to be the date of the court ruling commencing proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such ruling. Except for fraud, the date of insolvency may not be set at an earlier date than the date of the final court decision which sanctioned (*homologué*) the conciliation agreement in the context of a conciliation procedure. The period of time starting on such date of insolvency and ending on the date of such ruling is named the "suspect period" ("*période suspecte*"). Certain transactions undertaken during the so-called suspect period may become automatically void or voidable as detailed in the next section.

The court ruling commencing the proceedings may order either the liquidation or the reorganization of the company. In the event of a judicial reorganization, an administrator is appointed by the court to assist or represent the debtor (see the court-administered insolvency proceedings section above for the description of the observation period and the Creditors' Committees and Adoption of the Safeguard or Reorganization Plan section for the consultation of the creditors on the draft reorganization plan). At any time during the observation period, the court can order the liquidation of the company if recovery of the debtor is manifestly impossible (as mentioned above, it cannot be ruled out that likewise, the commencement of judicial liquidation proceedings at the court's own initiative be challenged further to the decision of the French Constitutional Court dated December 7, 2012 (see" *France—Limitations on guarantees—Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings*")). At the end of the observation period, the outcome of the proceedings is decided by the court.

There is no observation period in case of judicial liquidation proceedings being commenced against the debtor. The outcome of these proceedings, which is decided by the court without a vote of the creditors, may be a plan for the sale of the business and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. In case a plan for the sale of the business is considered, the court can authorize a temporary continuation of the business for a maximum period of three months (renewable once at the public prosecutor's request), the effects of which are similar to an observation period.

The "Suspect Period" in judicial reorganization and liquidation proceedings

The court determines the date on which insolvency is deemed to have occurred. It can be any date within the 18 months preceding the date of the commencement of the proceedings. This marks the beginning of the so-called suspect period. Certain transactions entered into by the debtor during such suspect period are automatically void or voidable by the court.

Automatically void transactions include transactions or payments entered into during the so-called suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional measures, unless the right of attachment or seizure predates the date of insolvency (*cessation de paiements*), the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement (*fiducie*) that dedicates assets or rights as a guarantee of pre-existing debts.

Transactions voidable by the court include payments made on accrued debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the so-called suspect period, if the court determines that the creditor knew of the insolvency (*cessation de paiements*) of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the so-called suspect period. (See "*—Fraudulent Conveyance*.")

There is no suspect period prior to the commencement of safeguard or accelerated financial safeguard proceedings, since the condition required to commence such proceedings is that the company is not insolvent within the meaning of French law.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of insolvency proceedings, the so-called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*) in insolvency proceedings of the relevant person or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the New Senior Notes or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the New Senior Notes or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor that lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the New Senior Notes may not enjoy the benefit of the New Senior Notes, the guarantees and the value of any consideration that holders of the New Senior Notes received with respect to the New Senior Notes or the guarantees could also be subject to recovery from the holders of the New Senior Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the New Senior Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

Switzerland

The validity and the enforcement of the guarantees/security interest provided by Green is subject to, and will be limited by, the financial assistance rules imposed by Swiss corporate law and Swiss tax law as well as by insolvency or other laws of general application as summarized hereinafter below.

Financial assistance rules

Financial assistance by Green in respect of obligations of its direct or indirect shareholder(s) ("upstream") or of related persons or entities of its shareholder(s) ("cross-stream") is subject to certain Swiss corporate law rules that may significantly impact the value of the guarantee/security interest. In particular, upstream and cross-stream financial assistance must be within the corporate purpose and scope, as set forth in the articles of association, and interests of Green and may not entail a repayment of capital or a violation of legally protected reserves. In addition, the enforcement of the guarantee/security interest provided by Green will be treated as a profit distribution to shareholders and, therefore, must be approved by the board of directors and shareholders of Green. Such financial assistance must be limited to the freely distributable reserves of Green, as measured by an auditor's report at the relevant time(s).

Payments under the guarantee/security interest provided by Green may be subject to the withholding tax at the rate of 35%, which, unless Green has entered into a specific agreement with the Swiss Federal Tax Administration for a reduced rate of withholding, must be deducted from the gross payment. Non-Swiss residents can claim full or partial refund of the withholding tax on the basis of an applicable double taxation treaty between the country of residence of the recipient and Switzerland, including the Savings Tax Agreement signed between Switzerland and the European Union on October 26, 2004 (SR 0.641.926.81, SR 0.641.926.811), which also covers dividends to EU parent companies, and the Treaty between the United States of America and Switzerland for the Avoidance of Double Taxation with Respect to Taxes on Income (SR 0.672.933.61). The obligation of Green to gross up by paying additional amounts may not be expected under Swiss law.

Financial assistance rules are unsettled under Swiss law. There are no court decisions available in this respect and the legal doctrine is divided. We can provide no assurances that future court rulings will not further restrict the enforceability, or deny the validity, of guarantees/security interests. Such rulings would negatively affect the ability to enforce the guarantee/security interest granted by Green. The granting of guarantees/security interest in breach of such financial assistance rules could result in the invalidity and non-enforceability of such guarantees/security interests and could entail criminal and civil liability of the board of directors or other corporate bodies of Green. Thus, the guarantee/security interest granted by Green is subject to certain limitations, normally in the form of a general limitation language inserted into the relevant transaction documents and which are in line with the requirements set out hereinabove which in particular cover the maximum aggregate obligations and exposure of Green under the transaction documents.

Choice of law considerations

The guarantee by Green is, based on a choice of law, subject to the laws of the State of New York. Should a Swiss court accept jurisdiction in proceedings on the merits based on the laws applicable in Switzerland, a Swiss court will generally recognize the choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as the United States of America and the United Kingdom) classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law; Swiss law will be applied, if the content of the foreign substantive law cannot be established. While a Swiss court will generally accept a choice of law, there still exist some exceptions: Swiss courts may diverge from the chosen substantive law (i) if such chosen law leads to a result contrary to Swiss public policy, (ii) if the purpose of mandatory rules of Swiss law require, by their special aim, direct application, or (iii) if the purpose of mandatory rules of another law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require.

The above does also apply to security interests. In respect of not intermediated securities, Swiss law distinguishes between contractual rights and obligations (right in personam), on the one hand, and the transfer of proprietary rights (right in rem) and the creation of a pledge, on the other hand. If a Swiss court must interpret a foreign governing law clause in relation to the pledge of claims, securities and other security rights, it first must be satisfied that said governing law clause not only applies to the contractual rights and obligations but also to the transfer of title in the securities, and thus to the creation of a pledge or security interests.

Under Swiss conflict of law rules, the choice of foreign law with regard to the transfer of title to the securities and the creation of a pledge or an assignment of claims cannot be invoked against third parties not being the parties to the transaction.

Insolvency law considerations

Green is organized under the laws of Switzerland. In the event of insolvency, insolvency proceedings relating to Green’s guarantee/security interest would likely be subject to Swiss insolvency law. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets of a foreign entity located in Switzerland.

The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, as amended from time to time. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland, and all liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognized at the place where such assets are located (which requirements are governed by such foreign law). If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private sale.

However, if bankruptcy is declared, while such a special enforcement proceeding is pending, Swiss court proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private sale is no longer permitted. As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which, involves, inter alia, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor’s board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of article 725 (2) of the Swiss Code of Obligations or if it declares to be insolvent (*zahlungsunfähig*), or (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings.

The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*). All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently from the bankrupt estate are used to satisfy the creditors, after deduction of costs and certain other expenses. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors.

Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, family law, VAT legislation and for deposits under the Swiss banking act. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated equally (pari passu) in the third class. A secured party participates in the third class to the extent its claim is not covered by the proceeds of its collateral.

Claims assigned for security purposes by a Swiss entity that came into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings. Assigned claims that come into existence after the opening of bankruptcy over a Swiss entity may fall within the bankrupt estate, and the assignee mayis not be entitled to such claim proceeds.

Swiss law is uncertain with respect to the enforceability of future receivables assigned by way of security that come into existence after the date of a bankruptcy. Under the current jurisprudence of the Swiss Federal Supreme Court, the assignment of claims coming into existence after the adjudication of bankruptcy or similar insolvency proceedings that lead to the loss of the capacity of the relevant assignor to dispose of such rights or claims may generally not be enforceable by the secured creditor.

Since the holders of the New Senior Notes, from time to time, will not be parties to any of the security documents in Switzerland, there are risks regarding the enforceability of the pledges granted in favor of the holders of the New Senior Notes. These risks may be mitigated by the use of a parallel debt structure, whereby the collateral agent becomes a joint creditor (*Solidargläubiger*) of all obligations to be secured by the pledges and the pledges are granted to the collateral agent for the benefit of the holders of the New Senior Notes. Accordingly, the rights of the holders of the New Senior Notes will not be directly secured by the pledges of the collateral, but through the pledges granted to the collateral agent to secure these parallel claims. There is uncertainty as to the enforceability of this parallel debt structure in Switzerland. Also, the instruction and appointment of an agent and any power of attorney may be revoked at any time under Swiss law notwithstanding the appointment, instruction or power of attorney being said to be irrevocable and any mandate may, as a matter of statutory Swiss law, be terminated at any time by each party to the mandate.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a moratorium (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. During a moratorium, debt collection proceedings cannot be initiated and pending Swiss court proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private sale until the confirmation of the composition agreement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, inter alia, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

Certain arrangements or dispositions that are made during a certain period (the "suspect period") preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and gratuitous transactions, like, e.g., guarantees/security interests, made during the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor during the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was over-indebted, and (iii) dispositions made by the debtor during a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors.

Under Swiss law, any amount denominated in a foreign currency which has to be enforced through Swiss debt collection authorities (*schweizerische Zwangsvollstreckungsbehörden*) has to be converted into Swiss francs. Swiss law documents may be executed in English. However, in case of enforcement the Swiss courts or any other official Swiss authority may require that the transaction documents and any judgment obtained in a foreign court be translated into one of the official languages of Switzerland.

PLAN OF DISTRIBUTION

The Senior Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Notes Issuer, the entire aggregate principal amount of the New Senior Notes. The sale will be made pursuant to a purchase agreement dated the Issue Date.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase New Senior Notes from the Senior Notes Issuer, are several and not joint. Pursuant to the terms of the purchase agreement, the Senior Notes Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Senior Notes Issuer, together with all other Initial Purchasers, New Senior Notes in an aggregate principal amount of € 250 million.

The Initial Purchasers initially propose to offer the New Senior Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell New Senior Notes through certain of their affiliates. Sales in the United States will be made through affiliates of the Initial Purchasers which are registered with the SEC as U.S. registered broker dealers.

In the purchase agreement, the Senior Notes Issuer has agreed that:

- The Senior Notes Issuer will not offer or sell any of their debt securities (other than the New Senior Notes and subject to certain other exceptions), without the prior consent of the Representatives (as defined therein), for a period of 45 days after the date of the final Offering Memorandum.

- The Senior Notes Issuer will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

United States

Each purchaser of New Senior Notes offered by this Offering Memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Transfer Restrictions*".

The New Senior Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the New Senior Notes, an offer or sale of New Senior Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act is such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the New Senior Notes, see "*Transfer Restrictions*".

The New Senior Notes may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

United Kingdom

In the purchase agreement, each Initial Purchaser has also represented and agreed that:

(i) it has complied and will comply with all applicable provisions of the FSM Act with respect to anything done by it in relation to the New Senior Notes in, from or otherwise involving the United Kingdom; and

(ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSM Act) received by it in connection with the issue or sale of any New Senior Notes in circumstances in which section 21(1) of the FSM Act does not apply to such Initial Purchaser.

This Offering Memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as “relevant persons”). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of New Senior Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuers for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the New Senior Notes shall require the publication by the Senior Notes Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an “offer of New Senior Notes to the public” in relation to any New Senior Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe the New Senior Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

Grand Duchy of Luxembourg

In addition to the cases described in the section entitled Public Offer Selling Restriction under the Prospectus Directive in which the Initial Purchasers can make an offer of the New Senior Notes to the public in an EEA Member State (including Luxembourg), the Initial Purchasers can also make an offer of the New Senior Notes to the public in Luxembourg:

(a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;

(b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and

(c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Act implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

Israel

Sales of the New Senior Notes in Israel will be made through the Initial Purchasers and/or through an Israeli broker(s) engaged by them. The New Senior Notes will not be offered to an Israeli person unless such offeree is a “qualified investor” (as defined in the First Appendix to the Israeli Securities Law) who is not an individual (a “Qualified Israeli Investor”) and who has (x) completed and signed a questionnaire regarding qualification as a Qualified Israel Investor and (y) certified that it has an exemption from Israeli withholding taxes on interest.

General

The New Senior Notes are a new issue of securities, and there is currently no established trading market for the New Senior Notes. In addition, the New Senior Notes are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions”. The Senior Notes Issuer will apply for the New Senior Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Initial Purchasers have advised us that they intend to make a market in the New Senior Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the New Senior Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the New Senior Notes, that you will be able to sell your New Senior Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each Initial Purchaser has also agreed in the purchase agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers New Senior Notes or possesses or distributes this Offering Memorandum, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of New Senior Notes under the laws and regulations in force.

In connection with the offering of the New Senior Notes, the Initial Purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the New Senior Notes in the open market for the purpose of pegging, fixing or maintaining the price of the New Senior Notes. Syndicate covering transactions involve purchases of the New Senior Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the New Senior Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Delivery of the New Senior Notes was made against payment on the New Senior Notes on or about the Issue Date, which was three business days following the date of pricing of the New Senior Notes (this settlement cycle is referred to as “T+ 3”).

Other Relationships

The Initial Purchasers and their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial lending, consulting and financial advisory services to members of our group, including the Issuer, and any of its respective affiliates in the ordinary course of business for which the Initial Purchasers may receive customary advisory and transaction fees and expense reimbursement. Each of the Initial Purchasers other than Deutsche Bank AG, London Branch, or their affiliates are lenders under the Existing Revolving Credit Facility Agreement. Each of the Initial Purchasers or their affiliates are lenders under the New Revolving Credit Facility, the New Guarantee Facility and the New Term Loan. In addition, certain of the Initial Purchasers or their affiliates are party to certain of our hedging arrangements. Goldman Sachs International, an affiliate of Morgan Stanley & Co. International plc and Crédit Agricole Corporate and Investment Bank are lenders under the Existing Cabovisao Bridge Facility which will be repaid with a portion of the proceeds of the offering of New Senior Notes and Crédit Agricole Corporate and Investment Bank is a lender under the existing indebtedness of ABO which will be repaid pursuant to the ABO Refinancing with a portion of the proceeds of the offering of New Senior Notes. In addition, the Deferred Consideration may be used to repay certain debt provided by affiliates of the Initial Purchasers to an affiliate of Next L.P. In addition, affiliates of the Senior Notes Issuer may purchase New Senior Notes in the offering.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Ropes & Gray International LLP, London, England, as to matters of United States federal, New York and English law; by Meitar Liquornik Geva & Leshem Brandwein, as to matters of Israeli law; by Luther, as to matters of Luxembourg law and by Macedo Vitorino & Associados, Sociedade de Advogados, R.L. as to matters of Portuguese law.

Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal, New York and English law; by Goldfarb Seligman & Co., Tel Aviv, Israel, as to matters of Israeli law; by Elvinger, Hoss & Prussen, as to matters of Luxembourg law and by Linklaters LLP, as to matters of Portuguese law.

Certain legal matters in connection with this offering will be passed upon for the Trustee by White & Case LLP, as to matters of New York law.

ENFORCEMENT OF JUDGMENTS

The Senior Notes Issuer is a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg and the Senior Notes Guarantors are incorporated under the laws of France, Israel, Luxembourg, Switzerland and Portugal.

Many of the directors, members of the supervisory board, general partners, officers and other executives of the Senior Notes Issuer and the Senior Notes Guarantors are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Senior Notes Issuer or the Senior Notes Guarantors, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the New Indenture, the Senior Notes Issuer and the Senior Notes Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within France, Israel, Luxembourg, Switzerland and Portugal upon those persons, the Senior Notes Issuer or the Senior Notes Guarantors provided that the Hague Convention on the Service Abroad of Judicial and Commercial Matters of November 15, 1965 is complied with.

Israel

The Senior Notes Issuer has also been advised by its Israeli counsel that, subject to specified time limitations and legal procedures, Israeli courts may enforce a foreign judgment in a civil matter which is non-appealable, provided that among other things:

- the judgment is obtained after due process before a court of competent jurisdiction, according to the laws of the foreign state in which the judgment is given and the rules of private international law currently prevailing in Israel;

- the prevailing law of the foreign state in which the judgment is rendered allows for the enforcement of judgments of Israeli courts;

- adequate service of process has been effected and the defendant has had a reasonable opportunity to be heard and to present his or her evidence;

- the judgment is not contrary to public policy of Israel, and the enforcement of the civil liabilities set forth in the judgment is not likely to impair the security or sovereignty of Israel;

- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties;

- an action between the same parties in the same matter was not pending in any Israeli court at the time at which the lawsuit was instituted in the foreign court; and

- the judgment is enforceable according to the laws of Israel and according to the law of the foreign state in which the relief was granted.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus a per annum statutory rate of interest set on a quarterly basis by Israeli regulations. Judgment creditors must bear the risk of unfavorable exchange rates. In recent years, Israeli courts have increasingly been willing to enforce a foreign judgment in the foreign currency specified in the judgment, in which case there are also applicable rules regarding the payment of interest.

Luxembourg

We have been advised by Luther, our Luxembourg counsel, that a valid final and conclusive judgment against an issuer of Luxembourg nationality with respect to the New Senior Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Article 678 et seq. of the Luxembourg *Nouveau Code de Procedure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;

- the judgment is final and enforceable in the jurisdiction where the decision is rendered;

- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules;

- the U.S. Court has acted in accordance with its own procedural laws;

- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense;

- the decision of the U.S. Court must not have been obtained by fraud; and

- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*).

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

Portugal

We have been advised by Macedo Vitorino & Associados, Sociedade de Advogados, R.L., our Portuguese counsel, that a valid, final and conclusive judgment against a guarantor of Portuguese nationality with respect to its Senior Note Guarantee obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Portugal subject to compliance with the enforcement procedures set out in Article 1096 et seq. of the Portuguese Civil Procedure Code (*Código do Processo Civil*) being:

- there are no doubts regarding the authenticity of the judgment or the reasoning of the judgment;

- the judgment is final and enforceable in the jurisdiction where the decision is rendered;

- the judgment of the U.S. Court has not been obtained by fraud and does not relate to a matter on which Portuguese courts have exclusive jurisdiction;

- the judgment of the U.S. Court does not refer to a matter that has been decided by a Portuguese court or that is being subject to a proceeding before a Portuguese Court, except if the judgment of the U.S. Court prevents this jurisdiction;

- the defendant was duly notified by the U.S. Court in accordance with its own procedural laws and that the defendant had the opportunity to present a defense (*princípio do contraditário*) with equal defense rights (*princípio da igualdade das partes*);

- the enforcement of the judgment will not lead to a breach which is manifestly contrary to Portuguese international public policy rules.

France

The United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon U.S. Federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matters as the dispute is sufficiently connected with the jurisdiction of the court which rendered it, the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;

- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;

- such U.S. judgment is not tainted with fraud; and

- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French laws No. 80-538 of July 16, 1980 and No. 200-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as last modified by Order No. 2011-1012 of August 24, 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

If an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. In an action brought in France on the basis of U.S. Federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country towards French persons (article 14) and can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country towards the foreign claimant (article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts jurisdiction towards French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction which has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, the French national may waive its rights to benefit from the provisions of articles 14 and 15 of the French Civil Code.

The French Supreme Court (*Cour de Cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (potestative). Accordingly, any provisions to the same effect in any relevant documents would not be binding over the party submitted court.

Switzerland

Judgments in civil or commercial matters of a non-Swiss court or authority will be recognized and enforced against an individual or a legal entity with legal domicile or seat in Switzerland pursuant to a bilateral or multilateral treaty or convention between the foreign country and Switzerland. In case no applicable treaty or convention exists, the rules of the Swiss Federal Act on Private International Law (“PILA”; SR 291) apply. Except for arbitral awards, there is currently no treaty or convention in effect pertaining to the recognition and enforcement of judgments in civil and commercial matters between the United States of America and Switzerland.

Thus, articles 25-32 PILA apply for the recognition and enforcement of an U.S. federal or state court judgment ("U.S. Judgment") in Switzerland. In cases where an U.S. money judgment shall be enforced, the Swiss Federal Act on Debt Enforcement and Bankruptcy (SR 281.1) and the Swiss Code of Civil Procedure (SR 272), apply in addition to the PILA. The judgment of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including a U.S. Judgment, is generally subject to appeal (on the cantonal level as well as on the federal level.

The competent Swiss court or authority will recognize and enforce a non-Swiss judgment, including a U.S. Judgment, provided that all of the following requirements (a)-(c) are fulfilled:

(a) the court or authority of the country in which the judgment was rendered had jurisdiction;

(b) no ordinary judicial remedy is available against the judgment or if it is final; and

(c) there are no grounds to refuse recognition and enforcement.

Within the meaning of (c) above, a Swiss court or authority will refuse recognition and enforcement of a non-Swiss judgment (including a U.S. Judgment) for the following limited reasons only, without otherwise reviewing it as to its merits:

- if recognition and enforcement would be manifestly irreconcilable with Swiss public policy (e.g., if the Swiss court would consider that the amount awarded in the foreign judgment constitutes an excessive penalty, such as punitive damages, it may refuse recognition and enforcement, or reduce this amount accordingly); or

- if a party proves that:

(1) it was not duly summoned pursuant to the law of its domicile or its ordinary residence unless it proceeded on the merits without objecting to jurisdiction; or

(2) the judgment was rendered in violation of fundamental principles of Swiss procedural law, in particular if its right to be heard was not granted; or

(3) proceedings between the same parties in the same subject matter were first initiated or adjudicated in Switzerland, or that it was earlier adjudicated in a third country and such judgment is recognizable in Switzerland.

There is doubt whether a Swiss court would accept jurisdiction and impose civil liability on a guarantor/security provider incorporated in Switzerland if the original action against the guarantor/security provider was commenced in Switzerland and predicated upon U.S. securities laws.

AUDITORS

The statutory auditor (*commissaire*) of the Senior Notes Issuer is LG Management S.à r.l., a private limited liability company (*société à responsabilité limitée*), having its registered office at 7, rue Portland, L-4281 Esch-sur-Alzette, registered with the Luxembourg Trade and Companies Register under number B156639.

The independent auditor (*réviseur d'entreprises agréé*) of the Senior Notes Issuer is Deloitte Audit ("Deloitte Audit S.à r.l."), a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B0067895.

The consolidated financial statements of HOT and its subsidiaries as of and for the years ended December 31, 2012, 2011 and 2010, have been audited by Ernst & Young, Kost Forer Gabbay & Kasierer. With effect from the current financial year, the independent auditors of HOT will be Ernst & Young, Kost Forer Gabbay & Kasierer and Deloitte Brightman Almagor Zohar & Co.

The consolidated financial statements of Cool Holding as of and for the years ended December 31, 2012, 2011 and 2010 have been audited by Ernst & Young, Kost Forer Gabbay & Kasierer.

The financial statements of Cabovisao as of December 31, 2012, and August 31, 2012 and for the four months ended December 31, 2012 and the year ended August 31 2012 have been audited by Baker Tilly, PG & Associados, SROC, S.A.

The financial statements of Cabovisao as of August 31, 2011 and for the year 2011 have been audited by Deloitte & Associados SROC, S.A.

The consolidated financial statements of Coditel Holding as of and for the year ended December 31, 2012 and as of December 31, 2011 and for the period from August 1, 2011 to December 31, 2011 have been audited by Deloitte Audit S.à r.l..

The financial statements of Coditel Belgium as of July 31, 2011 and for the period from January 1, 2011 to July 31, 2011 have been audited by Deloitte Réviseurs d'entreprises S.c r.l..

The financial statements of Coditel Luxembourg as of July 31, 2011 and for the period from January 1, 2011 to July 31, 2011 have been audited by Deloitte Audit S.à r.l..

The consolidated financial statements of Group Outremer Telecom as of and for the years ended December 31, 2012 and 2011 have been audited by Constantin Associes and Ernst & Young et Autres.

The financial statements of Green as of and for the year ended December 31, 2012, which includes the 2011 comparative figures, have been audited by KPMG AG.

The financial statements of Le Cable Martinique as of and for the years ended December 31, 2012 and 2011 have been audited by Deloitte & Associés.

The financial statements of Le Cable Guadeloupe as of and for the years ended December 31, 2012 and 2011 have been audited by Deloitte & Associés.

The opening balance sheet accounts of Altice West Europe S.à r.l. as of June 5, 2013 have been audited by Deloitte Audit S.à r.l..

The opening balance sheet accounts of Altice Pool S.à r.l. as of January 31, 2013 have been audited by Deloitte Audit S.à r.l..

The opening balance sheet accounts of Altice Holdings S.à r.l. as of January 31, 2013 have been audited by Deloitte Audit S.à r.l..

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the New Senior Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on its Euro MTF Market. Notice of any optional redemption, Minority Shareholder Option Proceeds Offer, change of control or any change in the rate of interest payable on the New Senior Notes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Copies of the following documents may be obtained or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Senior Notes Issuer, Transfer Agent and Principal Paying Agent so long as the New Senior Notes remain listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of such exchange require:

(1) the articles of association of the Senior Notes Issuer and the Senior Notes Guarantors;

(2) the board resolutions of the Senior Notes Issuer dated 7 June, 2013;

(3) Altice VII's annual reports and quarterly reports and consolidated financial statements required to be provided under "Description of Notes—Certain Covenants—Reports";

(4) the New Indenture;

(5) the Intercreditor Agreement; and

(6) the security documents governing the Senior Notes Collateral.

This Offering Memorandum includes financial statements of the Senior Notes Issuer, HOT, Cool Holding, Cabovisao, Coditel, Outremer, Green, Le Cable Martinique and Le Cable Guadeloupe. Beginning with the annual report for the year ended December 31, 2013, the financial statements of these entities will be consolidated in Altice VII's financial statements and may not be made available separately to holders of the New Senior Notes.

The Senior Notes Issuer will maintain a paying and transfer agent in Luxembourg for so long as any of the New Senior Notes are listed on the Luxembourg Stock Exchange. The Senior Notes Issuer reserves the right to vary such appointment and will publish notice of such change of appointment on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). So long as the New Senior Notes are listed on the official list of the Luxembourg Stock Exchange and so long as the rules and regulations of such stock exchange require, the Senior Notes Issuers will maintain a paying and transfer agent in Luxembourg.

Pursuant to Part 1, Chapter 5, Item 502 of the rules and regulations of the Luxembourg Stock Exchange, the New Senior Notes will be freely transferable on the Luxembourg Stock Exchange.

The gross proceeds of the offering of the New Senior Notes will be €250 million.

Clearing Information

New Senior Notes

The New Senior Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear and have been assigned common codes 094615569 and 094615992. The ISIN for the New Senior Notes sold pursuant to Regulation S is XS0946155693 and the ISIN for the New Senior Notes sold pursuant to Rule 144A of the U.S. Securities Act is XS0946159927.

Legal Information

The Senior Notes Issuer is incorporated under the name of Altice Finco S.A. as a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg on August 17, 2012. The articles of association of the Senior Notes Issuer have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 28 September 2012, under number 2426, page 116402 et seq. The registered office of the Senior Notes Issuer is 3, boulevard royal, L-2449 Luxembourg. The Senior Notes Issuer's telephone number is +352 47 38 85 20. The Senior Notes Issuer is registered with the Luxembourg Trade and Companies Register under number B171151.

The Senior Notes Issuer has a share capital of €2,004,000 comprised of 2,004,000 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of the Senior Notes Issuer relating to its corporate object, the Senior Notes Issuer may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any entities in whatsoever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Senior Notes Issuer may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any entities, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Senior Notes Issuer may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Senior Notes Issuer has an interest or which form part of the group of companies to which the Senior Notes Issuer belongs (including shareholders or affiliated entities) or any other companies. The Senior Notes Issuer may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Senior Notes Issuer may borrow and raise funds in any form by way of public offer or exempted public offer. It may issue any kind of debt instruments (including, but not limited to notes, bonds and debentures), whether convertible or not, and/or equity securities, which may be unlisted or listed.

In general, the Senior Notes Issuer may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its corporate object or which are liable to promote its development provided that the Senior Notes Issuer will not enter into any transaction which would constitute a regulated activity of the financial sector.

The creation and issuance of the New Senior Notes has been authorized by resolutions of the Board of Directors of the Senior Notes Issuer dated June 7, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of Altice VII dated on or about June 7, 2013 and June 18, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of directors of the Existing Senior Secured Notes Issuer dated on or about July 2, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of directors of the Cool dated June 7, 2013 and June 28, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of Altice Pool dated on or about July 2, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of Altice West Europe dated on or about July 2, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of Altice Caribbean dated on or about July 2, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of SPV1 dated on or about June 7, 2013 and June 28, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of ABO dated on or about July 2, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of managers of Green dated on or about July 2, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of directors of Altice Portugal dated June 28, 2013.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the board of directors of Cabovisao dated June 28, 2013.

Cool Holding was incorporated in Israel under the name of Cool Holding Ltd. on April 26, 2009. The registered office of Cool Holding in Israel is 16 Abba Hillel Rd., Ramat-Gan 52506, Israel. Cool Holding is registered with the Israeli corporate registrar under number Israeli registration number 51-426602-2. On April 2, 2010, the general meeting of Cool Holding's equity holders approved Cool Holding's registration as a public limited liability company (*société anonyme*) in Luxembourg. The articles of association of Cool Holding have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated May 20, 2010, under number 1060, page 50862 et seq. The registered office of Cool Holding in Luxembourg is 3, boulevard royal, L-2449 Luxembourg. Cool Holding's telephone number is +352 47 38 85 20. Cool Holding is registered with the Luxembourg Trade and Companies Register under number B152495. According to its articles of association, Cool Holding's principal place of management and control is Luxembourg. Cool Holding is subject to both Luxembourg laws and Israeli laws and is deemed to have a dual nationality.

According to Article 2.5 of the articles of association of Cool Holding relating to its corporate purpose, the purpose of Cool Holding is to take participations, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign enterprises; to acquire any securities and rights through participation, contribution, option or in any other way.

Cool Holding may use its funds to invest in real estate, to establish, manage, develop and dispose of its assets as they may be composed from time to time and namely but not limited to, its portfolio of securities of whatever origin, to participate in the creation, development and control of any enterprise, to acquire, by way of investment, subscription, underwriting or option, securities, and any intellectual property rights, to realize them by way of sale, transfer, exchange or otherwise, to receive or grant licenses on intellectual property rights and to grant to or for the benefit of companies in which Cool Holding has a direct or indirect participation, to any companies being shareholder of Cool Holding, to companies being owned by a shareholder of Cool Holding and to companies of the group, any assistance including financial assistance, loans, advances or guarantees.

Without prejudice to the generality of the object of Cool Holding, this latter may do all or any of the following:

(i) to take, manage and sell participation in other companies by way of acquisition, possession, administration, sale, exchange, transfer, trade, investment in and alienation of shares, bonds, funds, notes, evidences of indebtedness, debentures, certificates and other securities;

(ii) to borrow money in any form or to obtain any form of credit facility and raise funds through, including, but not limited to, the issue of bonds, notes, promissory notes, certificates and other debt or equity instruments, convertible or not, or the use of financial derivatives or otherwise;

(iii) to advance, lend or deposit money or give credit to or with or to subscribe to or purchase any debt instrument issued by any Luxembourg or foreign entity on such terms as may be thought fit and with or without security;

(iv) to enter into any guarantee, pledge or any other form of security, whether by personal covenant or by mortgage or charge upon all or part of the undertaking, property assets (present or future) or by all or any of such methods, for the performance of any contracts or obligations of Cool Holding and of any of connected companies, or any director, manager or other agent of Cool Holding or any of connected companies, within the limits of any applicable law provision; and

(v) to enter into any agreements, including, but not limited to partnership agreements, underwriting agreements, marketing agreements, management agreements, advisory agreements, administration agreements, cooperation agreement and other services contracts, selling agreements, interest and/or currency exchange agreements and other financial derivative agreements in relation to its object.

(vi) to acquire income arising from the disposal or licensing of copyrights, patents, designs, secret processes, trademarks or other similar interests;

(vii) to render technical assistance to other companies;

It being understood that Cool Holding will not enter into any transaction which would cause it to be engaged in any activity that would be considered as a regulated activity of the financial sector.

In a general fashion, Cool Holding may carry out any operation, which it may deem useful in the accomplishment and development of its purposes.

Cool Holding has a share capital of NIS 6,147,657 (six million one hundred forty seven thousand six hundred fifty seven shekels) divided into 6,147,657 (six million one hundred forty seven thousand six hundred fifty seven) ordinary shares, with a nominal value of NIS 1.00 (one shekel) each.

SPV1 was incorporated in Israel under the name of H.Hadaros 2012 Ltd. on March 22, 2012. The registered office of SPV1 is 16 Abba Hillel Rd., Ramat Gan, 52506, Israel. SPV1 is registered with the Israeli Registrar of Companies under number 51-475212-0.

According to its Articles of Association, SPV1's corporate objectives are to carry on any legal business. SPV1 has a share capital of NIS 100,000 comprised of 10,000,000 ordinary shares with a par value of NIS 0.10 per ordinary share, of which 100 ordinary shares are issued and outstanding.

Altice Holdings is incorporated under the name Altice Holdings S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on January 31, 2013. The articles of association of Altice Holdings have been filed with the Luxembourg Trade and Companies Register and one published in the *Mémorial C, Recueil des Sociétés et Associations* dated 23 March 2013 under number 717, page 34394 *et seq*. The registered office of Altice Holdings S.à r.l. is 3, boulevard royal, L-2449 Luxembourg. Altice Holdings' telephone number is +352 47 38 85 20. Altice Holdings is registered with the Luxembourg Trade and Companies Register under number B174906.

Altice Holdings has a share capital of €2,000,000 comprised of 2,000,000 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice Holdings may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

Altice Holdings may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice Holdings may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice Holdings has an interest or which form part of the group of companies to which Altice Holdings belongs (including shareholders or affiliated entities) or any other companies. Altice Holdings may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice Holdings may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, Altice Holdings may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Altice Portugal (formerly known as Rightproposal—Telecomunicações, S.A.) was incorporated as a public limited liability company (*sociedade anónima*) under the laws of Portugal on February 27, 2012. Altice Portugal is registered with the Commercial Registry Office of Lisbon under the registration number 510 160 549. The articles of association of Altice Portugal have been filed with the Commercial Registry Office of Lisbon and were published in the site of the Minister of Justice (*http://www.mj.gov.pt/publicacoes*). The registered office of Altice Portugal is Rua do Alecrim, 26-E, 1200-018 Lisboa, Portugal. Altice Portugal's telephone number is +351 210 810 505.

Altice Portugal has a share capital of €50,000.00 comprised of 50,000 shares with a nominal value of €1.00 each, all of which have been subscribed and fully paid-up.

According to Article 2 of Altice Portugal's articles of association, the company's purpose is the installation, operation, marketing and technical assistance of systems of image transmission and cable television signal, establishment, management and operation of infrastructure and telecommunications systems, the provision of telecommunications services and/or television, or directly or indirectly related to them, whatever the system or physical way of transmission, the marketing or the provision of multimedia services or audiovisual media, of all kind, by transmission of cable television or other.

Pursuant to article 3 of Altice Portugal's articles of association, Altice Portugal may also purchase and sell or encumber holdings in companies with different corporate purposes, in companies governed by specific regulations, in complementary group of companies (*agrupamento complementar de empresas*) and in foreign companies or entities.

In general, Altice Portugal may carry out any transaction, which it may deem necessary or convenient in the accomplishment and development of its purposes, save to the extent prohibited by law.

Cabovisao was incorporated as a public limited liability company (*sociedade anónima*) under the laws of Portugal on September 27, 1993. Cabovisao is registered with the Commercial Registry Office of Palmela under the registration number 503 062 081. The articles of association of Cabovisao were filed with the Commercial Registry Office of Palmela and were published in the Official Gazette (*Diário da República*). The registered office of Cabovisao is Lugar de Poços, Vale de Touros, Palmela, Portugal. Cabovisao's telephone number is +351 210 810 505.

Cabovisao has a share capital of €5,000,040.00 comprised of 2,500,020 shares with a nominal value of €2.00 each, all of which have been subscribed and fully paid-up.

According to Article 3/1 of Cabovisao's articles of association, the company's purpose is the installation, operation, marketing and technical assistance for images transmitting systems and cable television signals, the provision of telecommunications and/or television services, or directly or indirectly related to them, for all systems or physical transmission mediums, marketing or provision of media or television services, of all kind, by cable TV transmission network or other.

Pursuant to article 3/2 of Cabovisao's articles of association, Cabovisao may, by resolution of the Board of Directors, purchase shareholdings in companies with different corporate purposes or governed by specific regulations, as well as enter into association with other legal entities through European groups of companies of economic interest (*agrupamentos europeus de interesse económico*), complementary groups of companies (*agrupamentos complementares de empresas*), consortia or partnerships (*associações em participação*).

In general, Cabovisao may carry out any transaction, which it may deem necessary or convenient in the accomplishment and development of its purposes, save to the extent prohibited by law.

The Existing Senior Secured Notes Issuer is incorporated under the name of Altice Financing S.A. as a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg on August 17, 2012. The articles of association of the Existing Senior Secured Notes Issuer have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 27 September 2012, under number 2407, page 115493 et seq. The registered office of the Existing Senior Secured Notes Issuer is 3, boulevard royal, L-2449 Luxembourg. The Existing Senior Secured Notes Issuer's telephone number is +352 47 38 85 20. The Existing Senior Secured Notes Issuer is registered with the Luxembourg Trade and Companies Register under number B171162.

The Existing Senior Secured Notes Issuer has a share capital of €2,000,000 comprised of 2,000,000 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of the Existing Senior Secured Notes Issuer relating to its corporate object, the Existing Senior Secured Notes Issuer may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any entities in whatsoever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Existing Senior Secured Notes Issuer may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any entities, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Existing Senior Secured Notes Issuer may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Existing Senior Secured Notes Issuer has an interest or which form part of the group of companies to which the Existing Senior Secured Notes Issuer belongs (including shareholders or affiliated entities) or any other companies. The Existing Senior Secured Notes Issuer may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Existing Senior Secured Notes Issuer may borrow and raise funds in any form by way of public offer or exempted public offer. It may issue any kind of debt instruments (including, but not limited to notes, bonds and debentures), whether convertible or not, and/or equity securities, which may be unlisted or listed.

In general, the Existing Senior Secured Notes Issuer may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its corporate object or which are liable to promote its development provided that the Existing Senior Secured Notes Issuer will not enter into any transaction which would constitute a regulated activity of the financial sector.

Altice VII exists under the name of Altice VII S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008. The articles of association of Altice VII have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 19 January 2009, under number 112, page 5353 *et seq*. The registered office of Altice VII is 3, boulevard royal, L-2449 Luxembourg. Altice VII's telephone number is +352 47 38 85 20. Altice VII is registered with the Luxembourg Trade and Companies Register under number B143725.

Altice VII has a share capital of €7,430,115.10 comprised of 743,011,510 shares with a nominal value of €0.01, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice VII relating to its corporate object, Altice VII may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

Altice VII may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice VII may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice VII has an interest or which form part of the group of companies to which Altice VII belongs (including shareholders or affiliated entities) or any other companies. Altice VII may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice VII may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, Altice VII may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Altice Pool is incorporated under the name of Altice Pool S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on January 31, 2013. The articles of association of Altice Pool have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 23 March 2013, under number 717, page 34403 *et seq*. The registered office of Altice Pool is 3, boulevard royal, L-2449 Luxembourg. Altice Pool's telephone number is +352 47 38 85 20. Altice Pool is registered with the Luxembourg Trade and Companies Register under number B174904.

Altice Pool has a share capital of €12,500 comprised of 12,500 shares with a nominal value of € 1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice Pool relating to its corporate object, Altice Pool may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

Altice Pool may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice Pool may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice Pool has an interest or which form part of the group of companies to which Altice Pool belongs (including shareholders or affiliated entities) or any other companies. Altice Pool may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice Pool may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, Altice Pool may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Altice West Europe is incorporated under the name of Altice West Europe S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on June 5, 2013. The articles of association of Altice West Europe are in the process of being filed with the Luxembourg Trade and Companies Register and will be published in the *Mémorial C, Recueil des Sociétés et Associations*. The registered office of Altice West Europe is 3, boulevard Royal, L-2449 Luxembourg. Altice West Europe's telephone number is +352 47 38 85 20. Altice West Europe is in the process of being registered with the Luxembourg Trade and Companies Register.

Altice West Europe has a share capital of €12,500 comprised of 12,500 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice West Europe relating to its corporate object, Altice West Europe may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

Altice West Europe may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice West Europe may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice West Europe has an interest or which form part of the group of companies to which Altice West Europe belongs (including shareholders or affiliated entities) or any other companies. Altice West Europe may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice West Europe may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, Altice West Europe may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Altice Caribbean is incorporated under the name of Altice Caribbean S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on October 4, 2012. The articles of association of Altice Caribbean have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 22 November 2012, under number 2833, page 135972 et seq. The registered office of Altice Caribbean is 3, boulevard royal, L-2449 Luxembourg. Altice Caribbean's telephone number is +352 47 38 85 20. Altice Caribbean is registered with the Luxembourg Trade and Companies Register under number B172223.

Altice Caribbean has a share capital of €12,500 comprised of 12,500 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice Caribbean relating to its corporate object, Altice Caribbean may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

Altice Caribbean may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice Caribbean may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice West Europe has an interest or which form part of the group of companies to which Altice Caribbean belongs (including shareholders or affiliated entities) or any other companies. Altice Caribbean may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice Caribbean may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, Altice Caribbean may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Green is incorporated under the name of green.ch AG (formerly known as Solution25 AG and registered under the Swiss company registration number CH-170.3.030.640-6), as a company limited by shares (*Aktiengesellschaft*), under the laws of Switzerland since 17 April 2007. The articles of association of Green have been filed with the competent commercial registry. The registered office of Green is Badstrasse 50, CH-5200 Brugg AG, Switzerland; Green is registered with the Commercial Registry of the Canton of Aargau and has the Swiss company registration number CHE-113.574.742. Green's telephone number is +41 56 460 23 23.

Green has a registered nominal share capital of CHF 29,400,000 comprised of 193,997 ordinary registered shares (*Stamm-Namenaktien*) and 29,206,663 preferred registered shares (*Vorzugs-Namenaktien*), each registered share with a nominal value of CHF 1.00, all of which have been subscribed and fully paid-up.

According to Article 2 of the articles of association of Green, the company's purpose is the rendering of services and pursuing developments, in particular in the areas of computer science, telecommunications, IT, software and applications, the trading and distributing of goods of all kind, in particular technical products, the direct and indirect acquisition, the management and disposal of other businesses, the arrange financing for itself and third parties, especially the financing of holding companies, and to provide guarantees and sureties for shareholders, related companies and third parties.

The company can acquire infrastructural facilities, patents, licenses and other intangible as-sets as well as acquire, manage and dispose of real estate and set up branches. The company can acquire, manage, create a pledge over and dispose of real estate in Switzerland or abroad.

ABO is incorporated under the name of Altice Blue One SAS, a *société par actions simplifiée*, incorporated under the laws of France on December 18, 2008. The registered office of ABO is 66 avenue des Champs-Elysées, 75008 Paris. ABO is registered with the Paris Trade and Companies Register under number 509 543 997. The articles of association of ABO have been filed with the Paris Trade and Companies Register and were published in the Affiches Parisiennes et Départementales dated December 17, 2008.

ABO has a share capital of €4,337,000.00 comprised of 4,337,000 ordinary shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of ABO relating to its corporate object, ABO's corporate purpose is the acquisition, subscription, holding, management and assignment, in any form, of shares or any securities in any company or legal entity, created or to be created, in France or abroad; the provision of any services regarding administrative, financial, accounting, commercial, IT and management matters to the benefit of its subsidiaries or any company in which ABO would have an interest; and in general, any property or real-estate, industrial, commercial or financial operations connected directly or indirectly to the corporate purpose or to any other similar or closely linked purpose or which may facilitate its realization.

In general, the company may carry out any business, as well as any commercial, financial or other transaction, which it may be deemed necessary or relevant in furtherance of the company's business activities.

The creation and issuance of the Senior Notes Guarantees has been authorized by resolutions of the Board of Managers of Altice VII dated on 7 June, 2013.

The Senior Notes Issuer may issue, and the Senior Note Guarantors may guarantee, additional New Senior Notes permitted to be issued under the applicable New Indenture. Such issuance of additional New Senior Notes may occur from time to time.

Management

The Senior Notes Issuer is managed by a board of directors composed of three (3) members being:

1. Mr. Jérémie BONNIN (chairman);
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Cool Holding is managed by a board of directors composed of three (3) members being:

1. Mr. Jérémie BONNIN (chairman);
2. Ms. Anne-Laure COATES; and
3. Mr. Laurent GODINEAU.

SPV1 is managed by a board of directors of which Cool Holding is the sole member.

As of the date of this Offering Memorandum, Altice Portugal is managed by a board of directors composed of three (3) members being:

1. Mr. Armando PEREIRA (chairman);
2. Mr. Jérémie BONNIN; and
3. Mr. Dexter GOEI.

As of the date of this Offering Memorandum, Cabovisao is managed by a board of directors composed of four (4) members being:

1. Mr. Armando PEREIRA (chairman);
2. Mr. Jérémie BONNIN;
3. Mr. Dexter GOEI; and
4. Mr. Laurent GODINEAU.

The Existing Senior Secured Notes Issuer is managed by a board of directors composed of three (3) members being:

1. Mr. Jérémie BONNIN (chairman);
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Altice Holdings is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Altice VII is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and

3. Mr. Laurent GODINEAU.

Altice Pool is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Altice West Europe is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Mr. Sébastien BACH; and
3. Mr. Laurent GODINEAU.

Altice Caribbean is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Green is managed by a board of directors composed of two members being:

1. Mr. Franz GRÜTER (chairman); and
2. Mr. Jérémie BONNIN (member).

ABO is managed by Jérémie BONNIN in its capacity of President.

Business Year

The business year for the Senior Notes Issuer begins on the first day of January and ends on the last day of December of each year, except for the first business year which commences on August 17, 2012, being the date of incorporation of the Senior Secured Issuer and ends on December 31, 2012.

The business year for Cool Holding begins on the first day of January and ends on the last day of December of each year.

The business year for SPV1 begins on the first day of January and ends on the last day of December of each year, except for the first business year which commenced on March 22, 2012, being the date of incorporation of SPV1 and ends on December 31, 2012.

The business year for Altice Holdings begins on the first day of January and ends on the last day of December of each year, except for the first business year which commences on January 31, 2013, being the date of incorporation of Altice Holdings and ends on December 31, 2013.

The business year for Altice Portugal begins on the first day of January and ends on the last day of December of each year.

The business year for Cabovisao begins on the first day of January and ends on the last day of December of each year. Until August 31, 2012, the business year for Cabovisao began on the first day of September and ended on the last day of August of each year.

The business year for the Existing Senior Secured Notes Issuer begins on the first day of January and ends on the last day of December of each year, except for the first business year which commences on August 17, 2012, being the date of incorporation of the Existing Senior Secured Notes Issuer and ends on December 31, 2012.

The business year for Altice VII begins on the first day of January and ends on the last day of December of each year.

The business year for Altice Pool begins on the first day of January and ends on the last day of December of each year, except for the first business year which commences on January 31, 2013, being the date of incorporation of Altice Pool and ends on December 31, 2013.

The business year for Altice West Europe begins on the first day of January and ends on the last day of December of each year, except for the first business year which commences on June 5, 2013, being the date of incorporation of Altice West Europe and ends on December 31, 2013.

The business year for Altice Caribbean begins on the first day of January and ends on the last day of December of each year, except for the first business year which commences on October 4, 2012, being the date of incorporation of Altice Caribbean and ends on December 31, 2012.

The business year for Green begins on the first day of January and ends on the last day of December of each year.

The business year for ABO begins on the first day of January and ends on the last day of December of each year, except for the first business year which commenced on December 2008, being the date of incorporation of ABO and ends on December 31, 2009.

Financial statements

The consolidated financial statements of Altice VII will be published on an annual basis. These statements will be audited by Altice VII's auditors.

Auditors

The statutory auditor (*commissaire aux comptes*) of the Senior Notes Issuer is LG Management S.à r.l., a private limited liability company (*société à responsabilité limitée*), having its registered office at 7, rue Portland, L-4281 Esch-sur-Alzette, registered with the Luxembourg Trade and Companies Register under number B156639.

The independent auditor (*réviseur d'entreprises agréé*) of the Senior Notes Issuer is Deloitte Audit, a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg registered with the Luxembourg Trade and Companies Register under number B0067895 which is a member of the *Institut des Réviseurs d'Entreprises*.

The independent auditor (*réviseur d'entreprises agréé*) of Cool Holding in Luxembourg is Ernst & Young, a public limited liability company (*société anonyme*), having its registered office at 7 rue Gabriel Lippmann, L-5365 Munsbach and registered with the Luxembourg Trade and Companies Register under number B47771, which is a member of the *Institut des Réviseurs d'Entreprises*. The independent auditor of Cool Holding and its subsidiaries, including SPV1, in Israel is Ernst & Young, Kost Forer Gabbay & Kasierer.

The independent auditor (*réviseur d'entreprises agréé*) of Altice Holdings and Altice Pool is Deloitte Audit, a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg registered with the Luxembourg Trade and Companies Register under number B0067895 which is a member of the *Institut des Réviseurs d'Entreprises*.

The independent auditor (*fiscal único*) of Altice Portugal and Cabovisao is Baker Tilly, PG & Associados, SROC, S.A.

The independent statutory auditor (*Revisionsstelle*) of Green is KPMG AG who has its registered office in Lucerne, Switzerland, and has the Swiss company registration number CHE-253.502.577.

The statutory auditor (*commissaire*) of the Existing Senior Secured Notes Issuer is LG Management S.à r.l., a private limited liability company (*société à responsabilité limitée*), having its registered office at 7, rue Portland, L-4281 Esch-sur-Alzette, registered with the Luxembourg Trade and Companies Register under number B156639.

The independent auditor (*réviseur d'entreprises agréé*) of the Existing Senior Secured Notes Issuer is Deloitte Audit, a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de

Neudorf, L-2220 Luxembourg registered with the Luxembourg Trade and Companies Register under number B0067895 which is a member of the *Institut des Réviseurs d'Entreprises*.

The independent auditor (commissaire aux comptes) of ABO is Deloitte & Associés, a *société anonyme*, having its registered office at 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, registered with the Paris Trade and Companies Register under number 572 028 041.

Subsidiaries

The following table sets out all the subsidiaries falling within the Group (excluding ONI) after giving effect to the Transactions.

Name	Country of Incorporation	Registered Office	Registration Number	Proportion of ownership interest	Field of activity
Altice Finco S.A.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 171 151	100% owned by Altice VII S.à r.l.	TMT
Altice Financing S.A.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 171 162	100% owned by Altice VII S.à r.l.	TMT
Cool Holding Ltd.	Luxembourg/Israel	3, boulevard royal, L-2449 Luxembourg/ 16 Abba Hillel Rd., Ramat-Gan 5250608, Israel	B 152 495/ 51-426602-2	100% owned by Altice VII S.à r.l.	TMT
H. Hadaros 2012 Ltd.	Israel	16 Abba Hillel Rd., Ramat-Gan 5250608, Israel	51-475212-0	100% owned by Cool Holding Ltd.	TMT
HOT Telecommunication Systems Ltd	Israel	Europark, Yakum, 60972, Israel	52-004007-2	68.6% owned by Cool Holding Ltd and 31.4% owned by H. Hadaros 2012 Ltd.	TMT
HOT Net Internet Services Ltd.	Israel	Europark, Yakum, 60972, Israel	51-212970-1	100% owned by HOT Telecommunication Systems Ltd	TMT
HOT Telecom Limited Partnership	Israel	Europark, Yakum, 60972, Israel	55-021525-5	100% owned by HOT Telecommunication Systems Ltd	TMT
Hot Vision Ltd.	Israel	Europark, Yakum, 60972, Israel	51-138194-9	100% owned by HOT Telecommunication Systems Ltd	TMT
HotIdan Cable Systems Israel Ltd.	Israel	Europark, Yakum, 60972, Israel	51-123989-9	100% owned by HOT Telecommunication Systems Ltd	TMT

HotIdan Israel Cable Systems (Holdings) 1987 Ltd.	Israel	Europark, Yakum, 60972, Israel	51-123990-7	100% owned by HOT Telecommunication Systems Ltd	TMT
HotEdom Ltd.	Israel	Europark, Yakum, 60972, Israel	51-223199-4	100% owned by HOT Telecommunication Systems Ltd	TMT
Hot T.L.M Subscribers Television Ltd.	Israel	Europark, Yakum, 60972, Israel	51-138612-0	100% owned by HOT Telecommunication Systems Ltd	TMT
HotCable System Media Haifa Hadera Ltd.	Israel	Europark, Yakum, 60972, Israel	51-125009-4	100% owned by HOT Telecommunication Systems Ltd	TMT
HOT Mobile Ltd.	Israel	Europark, Yakum, 60972, Israel	51-261596-4	100% owned by HOT Telecommunication Systems Ltd	TMT
Altice Pool S.à r.l.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 174 904	100% owned by Altice VII S.à r.l.	TMT
Altice Holdings S.à r.l.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 174 906	100% owned by Altice Pool S.à r.l.	TMT
Altice West Europe S.à r.l.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 178 002	100% owned by Altice Holdings S.à. r.l.	TMT
Altice Portugal S.A.	Portugal	Rua do Alecrim, n.º 26-E, 1200-018 Lisboa	510160549	100% owned by Altice West Europe S.à r.l.	TMT
Cabovisão – Televisão por Cabo, S.A.	Portugal	Poços - Vale de Touros, 2950-425 Palmela	503062081	100% owned by Altice Portugal S.A.	TMT
Deficom Telecom S.à r.l.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 160 937	74% owned by Altice West Europe S.à r.l.	TMT
Coditel Holding Lux II S.à. r.l.	Luxembourg	283, route d'Arlon L-8011 Strassen	B 160.999	60% owned by Deficom Telecom S.à r.l.	TMT
Coditel Management S.à. r.l.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 162.176	60% owned by Deficom Telecom S.à r.l.	TMT
Coditel Holding Lux S.à. r.l.	Luxembourg	283, route d'Arlon L-8011 Strassen	B 161 018	100% owned by Coditel Holding Lux II S.à. r.l.	TMT
Coditel Holding S.A.	Luxembourg	283, route d'Arlon L-8011 Strassen	B 009.701	100% owned by Coditel Holding Lux S.à. r.l.	TMT

Coditel Brabant S.P.R.L.	Belgium	rue des Deux Eglises 26, at 1000 Brussels, Belgium	BE 0403.107.452 RPM Brussels	100% owned by Coditel Holding S.A.	TMT
Coditel S.à r.l.	Luxembourg	283, route d’Arlon L-8011 Strassen	B 112.067	100% owned by Coditel Brabant S.P.R.L.	TMT
Altice Blue One SAS	France	66, avenue des Champs Elysées – 75008 Paris	509 543 997 RCS Paris	100% owned by Altice West Europe S.à r.l.	TMT
green.ch AG	Switzerland	Badstrasse 50 CH-5200 Brugg AG Switzerland	CHE-113.574.742	99.55% owned by Altice Blue One SAS	TMT
Altice Caribbean S.à r.l.	Luxembourg	3, boulevard royal, L-2449 Luxembourg	B 172 223	100% owned by Altice Holdings S.à r.l.	TMT
Altice Blue Two SAS	France	102, avenue des Champs Elysées – 75008 Paris	793 618 000 RCS Paris	76.97% owned by Altice Caribbean S.à r.l.	TMT
World Satellite Guadeloupe S.A.	France	ZAC de Jabrun – Immeuble E. Caraïbes, 97122 Baie Mahault – Guadeloupe	391 795 291 RCS Point-à-Pitre	99.95% owned by Altice Blue Two SAS	TMT
Martinique TV Câble S.A.	France	Zone de la Jambette, 97232 Le Lamentin	381 406 768 RCS Fort de France	99.99% owned by Altice Blue Two SAS	TMT
OMT Invest S.A.S.	France	109 rue du Faubourg Saint Honoré – 75008 Paris	533 361 945 RCS Paris	91.08% owned by Altice Blue Two SAS	TMT
Groupe Outremer Telecom S.A.	France	105-109 rue du Faubourg Saint Honoré – 75008 Paris	479 197 287 RCS Paris	98.16% owned by OMT Invest	TMT
Outremer Télécom SAS	France	Zone de la Jambette – 97200 Fort-de-France	383 678 760 RCS Fort-de-France	100% owned by Groupe Outremer Télécom	TMT
Outremer Télécom Océan Indien SAS	France	12 E, rue Henri Cornu – Technopole de la Réunion - 97801 Saint-Denis Cedex 9	447 751 868 RCS Saint Denis	100% owned by Outremer Télécom SAS	TMT

Litigation

Other than as disclosed in this Offering Memorandum, there are no, and have not been any, governmental, legal or arbitration proceedings against or affecting the Senior Notes Issuer or the Senior Notes Guarantors, nor are the Senior

Notes Issuer aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on the financial position of the Senior Notes Issuer.

Offering Memorandum

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the consolidated financial position of the Senior Notes Issuer or the Senior Notes Guarantors since March 31, 2013; and

- neither the Senior Notes Issuer nor any of the Senior Notes Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either Senior Notes Issuer or any Senior Notes Guarantor is aware) since the dates of their incorporation, which may have, or have had in the recent past, significant effects on the Senior Notes Issuer's or the Senior Notes Guarantors' financial position or profitability.

The Senior Notes Issuer accepts responsibility for the information contained in this Offering Memorandum. The information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect import of such information.

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws.

The Trustee

The New Senior Notes provide for the Trustee to take action on behalf of the holders of the New Senior Notes in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the New Senior Notes and accordingly in such circumstances, the Trustee will be unable to take action, notwithstanding the provision of an indemnity or security to it, and it will be for the holders of the New Senior Notes to take action directly. If the Trustee resigns or is removed, the Senior Secured Issuers will appoint a successor.

GLOSSARY

Term	Definition
"3G"	The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology.
"4G"	The fourth generation of mobile communications standards, referred to the industry as IMT-Advanced with a nominal data rate of 100 Mbit/s while the client physically moves at high speeds relative to the station, and 1 Gbit/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband Internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
"ADSL"	Asymmetrical DSL; an Internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
"ARPU"	Average Revenue Per User; ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the services provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two.
"bandwidth"	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
"broadband"	Any circuit that can transfer data significantly faster than a dial-up phone line.
"churn"	The number of RGUs for a given service disconnected (either at the customer's request or due to termination of the subscription by us) during the period divided by the number of average RGUs for such service for such period; statistics do not include customers excluding transfers between our services (other than a transfer between our cable services and our cellular services).
"CPE"	Customer premise equipment, which typically comprises a modem or set-top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber.
"DSL"	Digital Subscriber Line; DSL is a technology that provides high-speed Internet access over traditional telephone lines.
"DTT"	Digital terrestrial television.
"FTTx"	Fiber optic infrastructure
"HD"	High definition.
"HFC"	Hybrid fiber coaxial.
"HSPA"	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
"Internet"	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.
"IP"	Internet Protocol.
"IPTV"	Internet Protocol television
"IRU"	Indefeasible Right of Use, the effective temporary ownership of a portion of the capacity of an international cable. IRUs are specified in terms of a certain number of channels of a given bandwidth. IRU is granted by the company or consortium of companies that built the (usually optical fiber) cable.
"ISP"	Internet Service Provider.
"IT"	Information technology, a general term referring to the use of various software and hardware components when used in a business.
"local loop"	The network element used to connect a subscriber to the nearest switch or concentrator, commonly referred to as the "last mile" because it is the part of the network that is connected directly to the subscriber; alternatively the HFC access network.
"LTE"	Long term evolution technology being a standard in mobile network technology.
"M2M"	Machine-to-machine
"MHz"	Megahertz; a unit of frequency equal to one million Hertz.
"Mbps"	Megabits per second; each megabit is one million bits.
"Moody's"	Moody's Investors Services, Inc.

“multiple-play” The bundling of different telecommunications services, e.g. digital cable television, broadband Internet and fixed telephony services, by one provider.

“MVNO” Mobile virtual network operator. Refers to a company that provides cellular services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services.

“network” An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.

“PacketCable™” A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable™ networks use internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications.

“PSTN” Public switched telephony network

“PVR” Personal video recording

“quad-play” Triple-play with the addition of cellular service.

“RGU” Revenue Generating Unit. RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per source service basis and RGUs for fixed-line telephony are counted on a per line basis. Cellular RGUs is equal to the net number of lines or SIM cards that have been activated on our cellular network.

“S&P” Standard & Poor’s Investors Ratings Services.

“triple-play” Where a customer has subscribed to a combination of three products, digital cable television, broadband Internet and fixed telephony services, from us.

“UMTS” Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards.

“U.S. Docsis 3.0” Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.

“VOD” Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.

“VoIP” Voice over Internet Protocol; a telephone service via Internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.

“VPN” Virtual private network, a business service enabling users to obtain remote access to network functionality.

“VDSL” Very high speed DSL. A high speed variant of ADSL.

“VoN” Voice over Net, a form of telephony over the Internet that is usually a lower quality than VoIP.

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You should rely only on the information contained in this Offering Memorandum. None of the Senior Notes Issuer (or any of its affiliates) or any of the Initial Purchasers has authorized anyone to provide you with different information. None of the Senior Notes Issuer (or any of its affiliates) or any of the Initial Purchasers is making an offer of the New Senior Notes in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate at any date other than the date on the front of this Offering Memorandum.

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€250,000,000

9% Senior Notes due 2023

issued by Altice Finco S.A.

Global Coordinators and Joint Bookrunners

Goldman Sachs International
Morgan Stanley

Joint Bookrunners

Crédit Agricole CIB

Credit Suisse

Deutsche Bank

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ALTICE FINCO S.A.

Société Anonyme

Interim condensed consolidated financial statements as at and for the period ended 31 March 2013

and Review report of the Réviseur d'entreprises agréé

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R.C.S. Luxembourg: B171.151

ALTICE FINCO S.A.

Interim condensed consolidated financial statements for the period ended 31 March 2013

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To the Shareholders of Altice Finco S.A.
37, rue d'Anvers
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REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Introduction

We have reviewed the accompanying interim consolidated condensed statement of financial position of Altice Finco S.A. as at 31 March 2013, and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the 3 months period then ended ended and a summary of significant accounting policies and other explanatory notes (the ''Interim Financial Information''). The Board of Directors is responsible for the preparation and fair presentation of the Interim Financial Information in accordance with standard IAS 34 ''Interim Financial Reporting'' as adopted in the European Union. Our responsibility is to express a conclusion on the Interim Financial Information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity''. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with standard IAS 34 ''Interim Financial Reporting'' as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

13 May 2013

Condensed consolidated statement of comprehensive Income for the three months ended 31 March 2013

(Expressed in EUR)

	Notes	For the three months ended 31 March 2013	For period ended 31 December 2012
Finance income		35.718.329	931.024
Finance costs		−22.337.870	−66.556.398
Net finance income / (costs)		**13.380.459**	**−65.625.375**
Administrative expenses		−406.562	−123.230
Net foreign exchange losses		−96.084	−1.610.835
Transaction/Parents expenses		−4.757.904	0
Profit / (Loss) before tax		**8.119.909**	**−67.359.439**
Income tax (expense)/benefit	7	−3.944.221	19.014.596
Profit / (Loss) for the period		**4.175.689**	**−48.344.843**
Other comprehensive income			
Revaluation reserve movement		−27.233.043	0
Currency translation movement		4.739.740	−3.847.431
Total comprehensive income/(expense) for the period		**−18.317.615**	**−52.192.273**

The notes on pages F-13 to F-19 are an integral part of these financial statements.

Condensed consolidated statement of financial position as at 31 March 2013

(Expressed in EUR)

	Notes	31 March 2013	31 December 2012
ASSETS			
Non-current assets			
Loans and other receivables	9	797.476.876	770.476.989
Deferred tax assets		15.664.170	19.017.746
Total non-current assets		**813.141.046**	**789.494.736**
Current assets			
Accrued interests receivables	9	22.951.780	925.907
Other receivables		9.714.025	18.010.490
Cash and cash equivalents	10	59.305.229	83.773.673
Total current assets		**91.971.035**	**102.710.070**
TOTAL ASSETS		**905.112.081**	**892.204.806**
EQUITY AND LIABILITIES			
Equity			
Issued capital	11	32.597	32.597
Other revaluation reserve		−27.233.043	0
Foreign currency translation reserve		892.309	−3.847.431
Accumulated losses		−44.169.155	−48.344.843
Total equity		**−70.477.291**	**−52.159.676**
Liabilities			
Non-current liabilities			
Borrowings	12	859.598.271	839.363.940
Derivative financial instruments	8	50.695.439	62.450.909
Total non-current liabilities		**910.293.711**	**901.814.848**
Current liabilities			
Trade and other payables		1.112.532	1.259.346
Borrowings and accrued interests payables	12	64.178.967	41.287.137
Current tax liabilities		4.162	3.150
Total liabilities		**65.295.661**	**42.549.633**
TOTAL EQUITY AND LIABILITIES		**905.112.081**	**892.204.806**

The notes on pages F-13 to F-19 are an integral part of these financial statements.

Condensed consolidated statement of changes in equity for the three months ended 31 March 2013

(Expressed in EUR)

	Issued capital	Other revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 17 August 2012	32.597	—	—	—	32.597
Loss for the period	—	—	—	−48.344.843	−48.344.843
Other comprehensive loss for the period	—	—	−3.847.431	—	−3.847.431
Total comprehensive loss for the period	**—**	**—**	**−3.847.431**	**−48.344.843**	**−52.192.273**
Balance as at 31 December 2012	**32.597**	**—**	**−3.847.431**	**−48.344.843**	**−52.159.676**
As at 1 January 2013	32.597	—	−3.847.431	−48.344.843	−52.159.676
Profit for the period	—	—	—	4.175.689	4.175.689
Other comprehensive income for the period . . .	—	−22.493.303	—	—	−22.493.303
Total comprehensive income for the period . .	**—**	**−22.493.303**	**—**	**4.175.689**	**−18.317.615**
As at 31 March 2013	**32.597**	**−22.493.303**	**−3.847.431**	**−44.169.155**	**−70.477.291**

The notes on pages F-13 to F-19 are an integral part of these financial statements.

ALTICE FINCO S.A.

Condensed consolidated statement of cash flows for the three month ended 31 March 2013

(Expressed in EUR)

	For the three months ended 31 March 2013	For period ended 31 December 2012
Cash flows from operating activities		
Profit / (loss) for the period	4.175.689	−48.344.843
Adjustments for:		
—Income tax expenses		
Cash flows from operating activities		
Profit / (loss) for the period	4.175.689	−48.344.843
Adjustments for:		
—Income tax expenses	3.944.221	−19.014.596
—Depreciation	733.901	109.248
—Net foreign exchange losses	96.084	1.610.835
Movements in working capital:		
—Increase in trade an other receivables	−1.590	−172.008
—Increase in trade and other payables	−146.814	1.259.346
Net cash generated by/(used in) operating activities	**8.801.490**	**−64.552.018**
Cash flows from investing activities		
Loans granted to related parties	−30.340.750	−770.476.989
Advances made to related parties	0	−17.838.482
Net cash (used in)/generated in investing activities	**−30.340.750**	**−788.315.471**
Cash flows from financing activities		
Proceeds from issuance of shares	0	32.597
Proceeds from issuance of bonds	0	870.983.190
Payments of finance costs	−960.403	65.624.287
Net cash (used in)/generated by financing activities	**−960.403**	**936.640.074**
Net(decrease)/ increase in cash and cash equivalents	**−22.499.663**	**83.772.585**
Impact of Foreign exchange valuations	−1.967.693	
Cash and cash equivalents at beginning of the period	**83.772.585**	**0**
Cash and cash equivalents at end of the period	**59.305.229**	**83.772.585**

The notes on pages F-13 to F-19 are an integral part of these financial statements.

1—Corporate information

Altice Finco S.A. (the 'Company') is a company incorporated and domiciled in Luxembourg whose bonds are publicly traded. The Company holds Altice Financing S.A. and together they form the Group.

The principal activity of the Group is described in Note 5.

2—Basis of preparation

(a) Statement of compliance

The interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 May 2013.

(b) Judgments and estimates

Preparing the interim condensed consolidated financial statements requires the Board of Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, significant judgments made by the Board of Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3—Significant accounting policies

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

4—Financial instruments

Financial risk management policy

The Group's financial risk management policy is consistent with the one disclosed in the consolidated financial statements as at and for the year ended 31 December 2012

5—Operating segments

The Board of Directors haves determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Group.

Segments assets

There are no major changes in segment assets.

6—Seasonality of operations

This information should be provided to allow for a proper appreciation of the results, however the Board of Directors have concluded that this does not apply to this Group.

7—Income tax expense

Income tax expense is recognized based on the Board of Director's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period. The Group's effective tax rate in respect of continuing operations for the three months ended 31 March 2013 was 29,22% (as at 31 December 2012: 28,80%). The change in effective tax rate was caused mainly by the following factors.

- During the three months ended 31 March 2013 an increase of 0.42% in the tax rate became effective in Luxembourg, country in which the Group generates 100% of its taxable income. The effect of the change in tax rate was recognized immediately during the three months ended 31 March 2013.

8—Derivative financial instruments

	31 December 2012	
	Assets	Liabilities
Forward foreign exchange contracts	0	52,631,251
Cross currency swaps	0	9,819,658
Total	**0**	**62,450,909**

	31 March 2013	
	Assets	Liabilities
Forward foreign exchange contracts	0	42,795,818
Cross currency swaps	0	7,899,622
Total	**0**	**50,695,439**

Trading derivatives are classified as current asset or liability. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The derivative financial instruments were evaluated and are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The Board of Directors considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);

8—Derivative financial instruments (Continued)

- The fair values of derivatives instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivates, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Other derivatives financial liabilities	—	62,450,909	—	62,450,909
Total	**—**	**62,450,909**	**—**	**62,450,909**

	31 March 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Other derivatives financial liabilities	—	**50,695,439**	**—**	**50,695,439**
Total	—	**50,695,439**	**—**	**50,695,439**

9—Loans and other receivables

The detail of loans and other receivables is the following:

	31 March 2013	31 December 2012
Non-currents assets:		
Bonds Cool Holdings Ltd	213.851.578	207.419.580
Bonds H.Hadaros 2012 Ltd	194.237.686	188.395.614
Bonds HOT Telecommunications System Ltd	386.279.906	374.661.795
Loan Altice VII S.à r.l.	3.107.706	0
Total non-currents assets:	**797.476.876**	**770.476.989**
Current assets:		
Interest on bonds Cool Holdings Ltd	8.521.477	343.768
Interest on bonds H.Hadaros 2012 Ltd	7.733.920	311.997
Interest on bonds HOT Telecom.System Ltd	6.696.383	270.142
Total current assets:	**22.951.780**	**925.907**
Total loans and other receivables	**820.428.656**	**771.402.896**

The loans and other receivables were evaluated and are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012. The ''Loan'' to Altice VII S.à r.l. is an interest free bearing loan with a maturity date in March 2062 or early repayment date which means a written notice not later than five days prior to the foreseen repayment date.

10—Cash and cash equivalents

	31 March 2013	31 December 2012
Cash at bank and in hand	40,468,128	5,567,602
Cash in short-term deposit	18,837,101	78,206,072
Cash and cash equivalents	**59,305,229**	**83,773,673**

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	31 March 2013	31 December 2012
Cash and cash equivalents	59,305,229	83,773,673
Bank overdrafts	0	−1,088
Cash and cash equivalents	**59,305,229**	**83,772,585**

11—Issued capital

	Ordinary shares
At 01 January 2013	32,597
At 31 March 2013	**32,597**

As at 31 March 2013 the subscribed capital amounts to EUR 35,000 and is divided into 35,000 shares fully paid-up with a nominal value per share of EUR 1.

11—Issued capital (Continued)

The authorized and unissued share capital of the Company is set at EUR 2,000,000 and is divided into 2,000,000 shares of a nominal value per share of EUR 1 and is valid until 5 years after the date of the publication of the authorized and unissued share capital of the Company.

The Company may repurchase its own shares within the limits set by the Law of 10 August 1915 (the Law) and the Articles. The Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

The shares are freely transferable. All shares have equal economic and voting rights.

Each share entitles the holder thereof to a fraction of the Company's assets and profits in accordance with Article 26 of the incorporation deed.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

12—Borrowings

The detail of the borrowings is the following:

	31 March 2013	31 December 2012
Non-currents liabilities:		
Senior Secured Notes 12/19 7.875% USD	334,430,423	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,788,532	7,554,075
Senior Secured Notes 12/19 8% EUR	190,450,913	190,569,073
Senior Secured Notes 12/19 8% EUR	9,969,054	9,984,099
Senior Secured Notes 12/20 9.875% USD	296,375,925	287,182,475
Senior Secured Notes 12/20 9.875% USD	20,583,424	19,995,762
Total non-currents liabilities:	**859,598,271**	**839,363,940**
Current liabilities:		
Bank overdraft (CBP current account)	0	1,088
Interest on Senior Secured Notes 12/19 7.875% USD	8,819,324	1,414,966
Interest on Senior Secured Notes 12/19 7.875% USD	172,652	18,204
Interest on Senior Secured Notes 12/19 8% EUR	5,174,556	844,444
Interest on Senior Secured Notes 12/19 8% EUR	229,122	24,444
Interest on Senior Secured Notes 12/20 9.875% USD	9,331,868	1,577,542
Interest on Senior Secured Notes 12/20 9.875% USD	515,744	57,082
Intercompany Loan Cool Holdings Ltd.	38,445,576	37,289,251
Interest on Intercompany Loan Cool Holdings Ltd.	1,490,125	60,114
Total current liabilities:	**64,178,967**	**41,287,137**
Total Borrowings	**923,777,238**	**880,651,077**

13—Contingencies

The Group had no material contingencies at 31 March 2013 (31 December 2012: nil).

14—Commitments

The Company has a committed USD 80 million working capital facility which is available but undrawn as of March 31, 2013. The Company has a committed USD 80 million working capital facility which is available but undrawn as of March 31, 2013.

15—Assets pledged as security

The shares, bank accounts and receivables of the Company and the following entities (its subsidiary, its parent company (Altice VII S.à r.l.), Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd have been pledged for the issued senior security notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

16—Related parties transactions

a) Loans to related parties

	Amounts owed by related parties	
	31 March 2013	31 December 2012
Bonds Cool Holding Ltd	213.851.578	207.763.349
Bonds H.Hadaros 2012 Ltd	194.237.686	188.707.611
Bonds HOT Telecommunication System Ltd.	386.279.906	374.931.937
Loan Altice VII S.à r.l.	3.107.707	0
Trade Receivable HOT Telecommunication System Ltd	3.198.017	14.071.644
Receivable Altice VII S.à r.l.	6.295.462	3.766.838

b) Loans from related parties

	Amounts owed to related parties	
	31 March 2013	31 December 2012
Intercompany loan Cool Holdings Ltd	39,935,701	37,349,365

c) Profit and loss transactions with related parties

	31 March 2013	31 December 2012
Interest income Bonds Cool Holdings Ltd	8,134,965	342,765
Interest income Bonds H.Hadaros 2012 Ltd	7,383,129	311,087
Interest income Bonds HOT Telecommunication System Ltd.	6,392,653	269,353
Interest expense Intercompany Loan Cool Holdings Ltd	−1,422,537	−59,938

The related party Altice IV S.A. acquired in January 2013 an amount of USD 13,000,000 of bonds with a coupon interest of 7.875% with a maturity date on 15/12/2019 and an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with a maturity date on 15/12/2020 issued during the year ended 31 December 2012 by Altice Financing S.A.

17—Events after the reporting period

The Group signed with Altice VII S.à r.l. a financial guarantee agreement on 02 April 2013. Altice VII S.à r.l. provides the necessary financial guarantee to the Company in order to obtain credit facilities and for the services rendered under the terms of this financial guarantee agreement, the Group will pay a fee for an amount of USD 5,101,244.-.

18—Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 14 May 2013.

ALTICE FINCO S.A.

Société Anonyme

Consolidated financial statements as of 31 December 2012 and Report of the Réviseur d'entreprises agréé

37, rue d'Anvers
L-1130 LUXEMBOURG
R.C.S. Luxembourg: B171.151

ALTICE FINCO S.A.

Consolidated financial statements for the period ended 31 December 2012

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of Altice Finco S.A.
37, rue d'Anvers
L-1130 Luxembourg

Report on the financial statements

Following our appointment by the General Meeting of the Shareholders dated 28 November 2012, we have audited the accompanying consolidated financial statements of Altice Finco S.A., which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the period from 17 August 2012 to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice Finco S.A. as of 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the for the period from 17 August 2012 to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

21 March 2013

Consolidated statement of comprehensive Income from 17 August 2012 to 31 December 2012 (Expressed in EUR)

	Notes	For period ended 31 December 2012
Finance income		931,024
Finance costs		−66,556,398
Net finance costs	**8**	**−65,625,375**
Administrative expenses	**6**	−123,230
Net foreign exchange losses	**7**	−1,610,835
Loss before tax		**−67,359,439**
Income tax benefit	**9**	19,014,596
Loss for the period		**−48,344,843**
Other comprehensive loss		
Currency translation movement		−3,847,431
Total comprehensive loss for the period		**−52,192,273**

The notes on pages F-27 to F-52 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2012

(Expressed in EUR)

ASSETS	Notes	31 December 2012
Non-currents assets		
Loans and other receivables	12	770,476,989
Deferred tax assets	21	19,017,746
Total non-current assets		**789,494,736**
Current assets		
Accrued interests receivables	12	925,907
Other financial assets	13	18,010,490
Cash and cash equivalents	14	83,773,673
Total current assets		**102,710,070**
TOTAL ASSETS		**892,204,806**
EQUITY AND LIABILITIES		
Equity		
Issued capital	15	32,597
Foreign currency translation reserve	16	−3,847,431
Accumulated losses	17	−48,344,843
Total equity		−52,159,676
Liabilities		
Non-current liabilities		
Borrowings	19	839,363,940
Other financial liabilities	20	62,450,909
Total non-current liabilities		901,814,848
Current liabilities		
Trade and other payables	18	1,259,346
Borrowings and accrued interests payables	19	41,287,137
Current tax liabilities		3,150
Total liabilities		**42,549,633**
TOTAL EQUITY AND LIABILITIES		**892,204,806**

The notes on pages F-27 to F-52 are an integral part of these financial statements.

Consolidated statement of changes in equity for the period at 31 December 2012
(Expressed in EUR)

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 17 August 2012	32,597	—	—	32,597
Loss for the period	—	—	−48,344,843	−48,344,843
Other comprehensive loss for the period	—	−3,847,431	—	−3,847,431
Total comprehensive loss for the period	**—**	**−3,847,431**	**−48,344,843**	**−52,192,273**
Balance as at 31 December 2012	**32,597**	**−3,847,431**	**−48,344,843**	**−52,159,676**

The notes on pages F-27 to F-52 are an integral part of these financial statements.

Consolidated statement of cash flows for the period ended 31 December 2012

(Expressed in EUR)

	For period ended 31 December 2012
Cash flows from operating activities	
Loss for the period	−48,344,843
Adjustments for:	
—Income tax expenses	−19,014,596
—Depreciation	109,248
—Net foreign exchange losses	1,610,835
Movements in working capital:	
—Increase in trade an other receivables	−172,008
—Increase in trade and other payables	1,259,346
Cash flows used in operating activities	**−64,552,018**
Net cash used in operating activities	**−64,552,018**
Cash flows from investing activities	
Loans granted to related parties	−770,476,989
Advances made to related parties	−17,838,482
Net cash used in investing activities	**−788,315,471**
Cash flows from financing activities	
Proceeds from issuance of shares	32,597
Proceeds from issuance of bonds	870,983,190
Payments of finance costs	65,624,287
Net cash generated by financing activities	**936,640,074**
Net increase in cash and cash equivalents	**83,772,585**
Cash and cash equivalents at beginning of the period	**0**
Cash and cash equivalents at end of the period	**83,772,585**

The notes on pages F-27 to F-52 are an integral part of these financial statements.

1—Corporate information

ALTICE FINCO S.A. (hereafter ''the Company'') was incorporated on 17 August 2012 and organised under the laws of Luxembourg as a private limited liability company ''Société Anonyme'' for an unlimited period of time.

The registered office of the Company is established in Luxembourg, Grand Duchy of Luxembourg.

Its parent company is Altice VII S.à r.l. which is established in Luxembourg and the ultimate parent company is Next Limited Partnership Incorporated which is established in Guernsey.

The Company holds Altice Financing S.A. and together they form the Group.

The Group may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any entities in whatsoever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Group may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any entities, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Group may borrow and raise funds in any form by way of public offer or exempted public offer. It may issue any kind of debt instruments (including, but not limited to notes, bonds and debentures), whether convertible or not, and/or equity securities, which may be unlisted or listed.

In general, the Group may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its corporate object or which are liable to promote its development provided that the Company will not enter into any transaction which would constitute a regulated activity of the financial sector.

The consolidated financial statements correspond to the financial year starting on 1 January and ending on 31 December, except for the first period which started on 17 August 2012 and ended on 31 December 2012.

2—Accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (''IFRS''). The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at revalued amounts or at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2—Accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate he financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no IFRSs that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 17 August 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to IAS 1, ''Financial statement presentation'' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ''other comprehensive income'' (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassifications adjustments). The amendments do not address which items are presented in OCI. The directors anticipate that the application of the amendments to IAS 1 may result in different disclosures being made in the future.

- IFRS 13, ''Fair value measurement'', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US Generally Accepted Accounting Principles (''GAAP''), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group has not yet assessed the full impact of the new standard.

- IFRS 9, ''Financial instruments'', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of

2—Accounting policies (Continued)

the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has not yet assessed IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- IFRS 10, ''Consolidated financial statements'', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has not yet assessed IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12, ''Disclosures of interests in other entities'', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has not yet assessed IFRS 12's full impact and intends to adopt IFRS 12 no later than accounting period beginning on or after 1 January 2013.
- Amendments to IFRS 7 and IAS 32 ''Offsetting Financial Assets and Financial Liabilities and related disclosures''. The amendments to IAS32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ''currently has a legally enforceable right of set-off'' and ''simultaneous'' realization and settlement''. The amendments to IFRS 7 require entities to disclose information about rights to offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

  The directors anticipate that the application of the amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

There are no other IFRSs that are not yet effective that would be expected to have material impact on the Group.

2.4 Summary of significant accounting policies

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed

2—Accounting policies (Continued)

in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which it operates (the ''functional currency''), which is the US dollar (''USD''). The consolidated financial statements are presented in a different currency which is the EUR, which is the Group's presentation currency, except when stated otherwise. The presentation currency is the currency of the Altice VII S.à r.l. group which holds 100% of this Group.

(ii) Transactions and balances

Transactions in a currency other than USD are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in a currency other than USD are retranslated in USD at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated in USD at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a currency other than USD are not retranslated in USD. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

At the end of each reporting period, all statement of financial position items are translated in EUR at the rates prevailing at that date and all statement of profit and loss items denominated in foreign currencies are translated in EUR at the rates of exchange prevailing at the dates of the transactions. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

(c) Financial instruments—initial recognition and subsequent measurement

(i) Date of recognition

Financial assets and liabilities are recognized when that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value. Transaction costs, that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate

2—Accounting policies (Continued)

that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition). Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

(v) Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(vi) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

(vii) Financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(viii) Derivatives financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including, cross-currency swaps, forward foreign exchange contracts.

Derivatives are initially recorded at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value

2—Accounting policies (Continued)

through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

(d) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(e) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

2—Accounting policies (Continued)

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11.

(e) Impairment of financial assets

The Group assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired, other than those at fair value through profit or loss. A financial asset or a group of financial assets, other than those at fair value through profit or loss. is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter in bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Finance income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

2—Accounting policies (Continued)

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate (''EIR''). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

See Note 12 for details of impairment losses on financial assets carried at amortised cost.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following three categories:

- Fee income earned from services that are provided over a certain period of time
- Fees earned for the provision of services over a period of time are accrued over that period. These fees can include commission income and asset management, custody and other management and advisory fees.
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying

2—Accounting policies (Continued)

transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(g) Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement cash flows comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(h) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policy, and the amount of the obligation under the contract, as determined in accordance with the IAS 37.

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in consolidated the statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is recognized on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

2—Accounting policies (Continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the consolidated statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(j) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3—Financial risk management

Introduction

Risk is inherent to the Group's activities. It is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, foreign currency risk and market risk, the latter being subdivided into trading and non-trading risks.

3—Financial risk management (Continued)

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through the Group's strategic planning process.

Quantitative and Qualitative Disclosures About Market Risk

The Group is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily between the US dollar and NIS, and use financial instruments to manage the exposure to interest rate and foreign exchange rate fluctuations.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the directors, which haves established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Group. The Group manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. The Group does not currently have any obligation to prepay fixed rate debt prior to maturity and, accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until the Group is required to refinance such debt. At December 31, 2012, the Group had outstanding fixed rate debt and other obligations (including finance leases but excluding other liabilities) of EUR 918,789,169.

Foreign Currency Risk & Country Risk

The functional currency is US dollar. However, the Group conducts, and will continue to conduct transaction in currencies other than USD, particularly the NIS. The Group entered into NIS hedging contracts designed to secure foreign currency assets. The Group has a strategy to hedge foreign currency exposure at between 80% and 120% of total annual exposure.

To manage the service of bonds issued by it and the exchange rate exposure with respect to the such issued bonds, the Group entered into certain hedging foreign exchange transactions to effectively exchange a portion of the payment obligations for interest, principal, amortization and premium, if any, of such indebtedness from NIS to USD. The Group believes such foreign exchange hedging transactions will enable the Group to match the currency of the interest income to the currency of the expenses more accurately.

Impairment assessment

For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- A breach of contract such as a default of payment;
- It becomes probable that the counterparty will enter bankruptcy or other financial reorganisation; and

3—Financial risk management (Continued)

- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

4—Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

The Group's directors considered the loss registered during the period and have proceeded to an assessment of the ability of the Group to continue as a going concern. The directors are satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. The directors consider that the loss is purely technical resulting mainly from the loss on the swap. The Group has a current asset position and will be able to meet its current liabilities over the next twelve months after signing the financial statements hence there are no concerns on the capacity of the Group to continue as a going concern given its forecasted strong cash flows.

Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 11.

Impairment losses on loans and other receivables

The Group reviews its individually significant loans and other receivables at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, the directors' judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and other receivables that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar

4—Significant accounting judgements, estimates and assumptions (Continued)

risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and other receivables is disclosed in more detail in Note 12.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies (See Note 21). Tax losses can be used indefinitely.

5—Segment Information

The directors haves determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Group.

6—Administrative expenses

	For the period ended 31 December 2012
Legal fees	27,375
Accounting fees	16,698
Audit fees	58,363
Tax advisory fees	6,000
Other expenses	14,794
Total administrative expenses	**123,230**

7—Net foreign exchange losses

	For the period ended 31 December 2012
Continuing operations:	
Net foreign exchange losses	−1,610,835
Net foreign exchange losses	**−1,610,835**

8—Finance costs

	For the period ended 31 December 2012
Interest expense:	
Borrowings (note 19)	−3,996,242
Cross currency swaps and forward foreign exchange contracts	−62,450,909
Amortization transaction costs	−109,248
Finance costs	**−66,556,398**
Finance income:	
Interest income on loans and other receivables	923,205
Interest income on cash and cash equivalents	2,102
Amortization premium	5,717
Finance income:	**931,024**
Net finance costs	**−65,625,375**

9—Income tax

Current tax:	
Current tax on profits for the period	3,150
Total current tax	**3,150**
Deferred tax (note 21):	
Recognition of deferred tax losses	−19,017,746
Total deferred tax	**−19,017,746**
Total income tax	**−19,014,596**

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable follows:

	For the period ended 31 December 2012
(Loss) before tax	**−67,359,439**
Tax calculated at domestic tax rate (28,80%)	−19,399,518
Tax effects of:	
Effect of unrecognised losses	384,922
Tax charge	**−19,014,596**

10 (a)—Financial instruments by category

	31 December 2012		
	Financial assets at amortised cost	Others	Total
Assets as per balance sheet			
Bonds Cool Holdings Ltd	207,763,348	—	207,763,348
Bonds H.Hadaros 2012 Ltd	188,707,611	—	188,707,611
Bonds HOT Telecommunications System Ltd	374,931,937	—	374,931,937
Trade and other receivables	—	18,010,490	18,010,490
Cash and cash equivalents	—	83,773,674	83,773,674
Total	**771,402,896**	**101,784,164**	**873,187,060**

	31 December 2012		
	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Senior Secured Notes 12/19 7.875% USD	—	325,493,422	325,493,422
Senior Secured Notes 12/19 7.875% USD	—	7,572,279	7,572,279
Senior Secured Notes 12/19 8% EUR	—	191,413,517	191,413,517
Senior Secured Notes 12/19 8% EUR	—	10,008,543	10,008,543
Senior Secured Notes 12/20 9.875% USD	—	288,760,017	288,760,017
Senior Secured Notes 12/20 9.875% USD	—	20,052,844	20,052,844
Intercompany loan Cool Holdings Ltd	—	37,349,365	37,349,365
Bank overdraft	1,088	—	1,088
Trade and other payables	1,259,346	—	1,259,346
Derivative financial instruments	62,450,909	—	62,450,909
Total	**63,711,343**	**880,649,987**	**944,361,330**

10 (b)—Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	31 December 2012
Loans and other receivables	
Counterparties with external credit rating :	
Ba3 (by Moody's Investors Service Inc)	770,476,989
BB− (by Standard & Poor's Rating Service)	770,476,989

	31 December 2012
Cash at bank and short-term deposit bank deposits	
AAA	83,773,674

10 (b)—Credit quality of financial assets (Continued)

	31 December 2012
Derivates financial liabilities	
B3 (by Moody's Investors Service Inc)	62,450,909
BB– (by Standard & Poor's Rating Service)	62,450,909

	31 December 2012
Borrowings (Senior Secured Notes)	
Ba3 (by Moody's Investors Service Inc)	839,363,940
BB– (by Standard & Poor's Rating Service)	839,363,940

11—Derivative financial instruments

	31 December 2012	
	Assets	Liabilities
Forward foreign exchange contracts	0	52,631,251
Cross currency swaps	0	9,819,658
Total	**0**	**62,450,909**

Trading derivatives are classified as current asset or liability. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

11.1 currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	31 December 2012	
	Assets	Liabilities
Euro (EUR)	0	210,467,778
Israeli shekel (NIS)	3,908,500,000	184,100,000

11.1.1 Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Israeli shekel (''NIS'') and the currency of EUR.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents director's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the

11—Derivative financial instruments (Continued)

relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	31 December 2012	
	Curreny USD impact	Currency NIS impact
Profit or loss	−5,596,246	70,277,811
Equity	−1,640,186	0

11.1.2 Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 as follows:

- FX Forward contract: USD 550,000,000, the maturity date will be on 15 December 2017 and swap to ILS at the aggregate rate of 4.1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4.17 in 15 December 2017;
- FX Forward contract: USD 98,914,583, the maturity date is based on the interest date payment from the 17 June 2013 to 15 December 2017 and swap to ILS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed ILS payments;
- FX Forward contract: EUR 40,066,667, the maturity date is based on the interest date payment from the 17 June 2013 to 15 December 2017 and swap to ILS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed ILS payments.

11.1.3 Cross currency swap contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 as follows:

- Cross Currency Swap : USD 200,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 7.7550%;
- Cross Currency Swap : USD 225,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 5.6850%;
- Cross Currency Swap : EUR 100,000,000, the maturity date will be on 15 December 2017 swap ILS at the aggregate rate of 5.7750%.

Those contracts are effectively fixed Euro and USD interest payments into ILS.

11.2 Interest rate risk management

The Group is not exposed to interest rate risk because the Group mainly borrow funds at fixed rate.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk.

11.2.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

11—Derivative financial instruments (Continued)

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

loss for the period ended 31 December 2012 would decrease/increase by EUR 120,847.

11.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors, which has established an appropriate liquidity risk management framework for the directors of the Group's short-, medium-, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

11.3.1 Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayments periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	31 December 2012				
	Weighted average effective interest rate	Less than 1 month	3 months to 1 year	5+ years	Total
	%				
Assets					
Loans and other receivables	4.76%	—	925,907	770,476,989	771,402,896
Trade and other receivables	0.00%	—	18,010,490	—	18,010,490
Cash and cash equivalents	0.65%	83,773,673	—	—	83,773,673
Total Assets		**83,773,673**	**18,936,397**	**770,476,989**	**873,187,059**
Liabilities					
Borrowings	4.76%	—	41,287,137	839,363,940	880,651,077
Trade and other payables	0.00%	—	1,259,346	—	1,259,346
Current tax liabilities	0.00%	—	3,150	—	3,150
Total Liabilities		**—**	**42,549,633**	**839,363,940**	**881,913,573**

11.3.1 Liquidity and interest risk tables

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the

11—Derivative financial instruments (Continued)

amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	31 December 2012			
	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Net settled:				
—cross currency swaps	0	0	0	9,819,658
—foreign exchange forward contracts	0	0	0	52,631,251
	0	**0**	**0**	**62,450,909**

11.4 Fair value of financial instruments

11.4.1 Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

11.4.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of derivatives instruments are calculated using quote prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivates, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specially, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

11.4.3 Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

11—Derivative financial instruments (Continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Other derivatives financial liabilities	0	62,450,909	0	62,450,909
Total	**0**	**62,450,909**	**0**	**62,450,909**

12—Loans and other receivables

The detail of loans and other receivables is the following:

	31 December 2012
Non-currents assets:	
Bonds Cool Holdings Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Telecommunications System Ltd	374,661,795
Total non-currents assets:	**770,476,989**
Current assets:	
Interest on bonds Cool Holdings Ltd	343,768
Interest on bonds H.Hadaros 2012 Ltd	311,997
Interest on bonds HOT Telecom.System Ltd	270,142
Total current assets:	**925,907**
Total loans and other receivables	**771,402,896**

During the period ended 31 December 2012, the Company acquired the following Bonds:

a) Cool Holding Ltd. bonds issued on 27 December 2012. It is represented by 1,052,800 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 14,47% plus a margin, which is subject to a pricing analysis still to be completed. The total nominal value of the bonds issue is NIS 1,052,800,000.

   The bonds have been issued at a price of:

   (i) 100% of the aggregate principal amount of NIS 868,700,000 in principal amount of the Note Proceeds Loan;

   (ii) 104,5% of the aggregate principal amount of NIS 88,200,000 in principal amount of the Note Proceeds Loan; and

   (iii) 105,5% of the aggregate principal amount of NIS 95,900,000 in principal amount of the Note Proceeds Loan.

b) H.Hadaros 2012 Ltd bonds issued on 27 December 2012. It is represented by 955,500 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 14,47% plus a margin, which is subject to a pricing analysis still to be completed. The total nominal value of the bonds issue is NIS 955,500,000.

12—Loans and other receivables (Continued)

The bonds have been issued at a price of:

(i) 100% of the aggregate principal amount of NIS 955,500,000 in principal amount of the Notes Proceeds Loan.

c) Hot Telecommunication System Ltd. bonds issued on 27 December 2012. It is represented 1,900,000 bonds with a value per bond of NIS 1,000 which will bear interest at a rate per annum equal to 6,30%. The total nominal value of the bonds issue is NIS 1,900,000,000.

The bonds have been issued at a price of:

(i) 100% of the aggregate principal amount of NIS 1,900,000,000.

The fair values of the loans and other receivables are as follows:

	31 December 2012
Bonds Cool Holdings Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Telecommunications System Ltd	374,661,795
	770,476,989

As at 31 December 2012, the effective interest rates on loans and other receivables are as follows:

	31 December 2012
Bonds Cool Holdings Ltd	14.47%
Bonds H.Hadaros 2012 Ltd	14.47%
Bonds HOT Telecommunications System Ltd	6.30%

13—Other financial assets

The detail of other financial assets is as follows:

	31 December 2012
Current assets	
Receivables from Hot and other related parties	17,838,482
Other receivables	172,008
Trade and other receivables	**18,010,490**

14—Cash and cash equivalents

	31 December 2012
Cash at bank and in hand	5,567,602
Cash in short-term deposit	78,206,072
Cash and cash equivalents	**83,773,673**

14—Cash and cash equivalents (Continued)

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	31 December 2012
Cash and cash equivalents	83,773,673
Bank overdrafts	−1,088
Cash and cash equivalents	**83,772,585**

15—Issued capital

	Ordinary shares
At 17 August 2012	0
Proceeds from shares issued	32,597
At 31 December 2012	**32,597**

As at 31 December 2012 the subscribed capital amounts to EUR 35,000 and is divided into 35,000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized and unissued share capital of the company is set at EUR 2,000,000 and is divided into 2,000,000 shares of a nominal value per share of EUR 1 and is valid until 5 years after the date of the publication of the authorized and unissued share capital of the company.

The Company may repurchase its own shares within the limits set by the Law and the Articles. The Sole Director or the Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

The shares are freely transferable. All shares have equal economic and voting rights.

Each share entitles the holder thereof to a fraction of the Company's assets and profits in accordance with Article 26 of the incorporation deed.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

16—Reserves

At 17 August 2012	**—**
Variation in the foreign currency translation reserve	−3,847,431
At 31 December 2012	**−3,847,431**

17—Accumulated losses

At 17 August 2012	**0**
Loss for the period	−48,344,843
At 31 December 2012	**−48,344,842**

18—Trade and other payables

The detail of trade and other payables is as follows:

	31 December 2012
Current liabilities	
Trade payables	663,500
Other payables	595,846
Trade and other payables	**1,259,346**

19—Borrowings

The detail of the borrowings is the following:

	31 December 2012
Non-currents liabilities:	
Senior Secured Notes 12/19 7.875% USD	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,554,075
Senior Secured Notes 12/19 8% EUR	190,569,073
Senior Secured Notes 12/19 8% EUR	9,984,099
Senior Secured Notes 12/20 9.875% USD	287,182,475
Senior Secured Notes 12/20 9.875% USD	19,995,762
Total non-currents liabilities:	**839,363,940**
Current liabilities:	
Bank overdraft (CBP current account)	1,088
Interest on Senior Secured Notes 12/19 7.875% USD	1,414,966
Interest on Senior Secured Notes 12/19 7.875% USD	18,204
Interest on Senior Secured Notes 12/19 8% EUR	844,444
Interest on Senior Secured Notes 12/19 8% EUR	24,444
Interest on Senior Secured Notes 12/20 9.875% USD	1,577,542
Interest on Senior Secured Notes 12/20 9.875% USD	57,082
Intercompany Loan Cool Holdings Ltd.	37,289,251
Interest on Intercompany Loan Cool Holdings Ltd.	60,114
Total current liabilities:	**41,287,137**
Total Borrowings	**880,651,077**

19.1 Summary of borrowing arrangements

a) Senior Secured Notes

The Senior Secured Notes in U.S. dollar mature on 15 December 2020 and bear coupons of 9.875% annually.

The Senior Secured Notes in U.S. dollar mature on 15 December 2019 and bear coupons of 7.875% annually.

The Senior Secured Notes in Euro mature on 15 December 2019 and bear coupons of 8% annually.

The Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange.

19—Borrowings (Continued)

The interest payment of the bonds is semi-annually on 15 June and on 15 December of each year and the first payment of the interest will be on 15 June 2013.

As at 31 December 2012, there were no breaches of covenants for the Senior Secured Notes mentioned below.

The trade date was on 17 December 2012 and the issuance was as follows:

	Price	31/12/2012
Senior Secured Notes 12/19 7.875% USD	100.00%	340,443,000
Senior Secured Notes 12/19 7.875% USD	105.50%	7,918,311
Senior Secured Notes 12/19 8% EUR	100.00%	200,000,000
Senior Secured Notes 12/19 8% EUR	100.00%	10,467,778
Senior Secured Notes 12/20 9.875% USD	100.00%	302,686,341
Senior Secured Notes 12/20 9.875% USD	105.50%	19,995,762
Total		**881,511,191**

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount 2012	Fair value 2012
Senior Secured Notes 12/19 7.875% USD	324,078,456	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,554,075	7,554,075
Senior Secured Notes 12/19 8% EUR	190,569,073	190,569,073
Senior Secured Notes 12/19 8% EUR	9,984,099	9,984,099
Senior Secured Notes 12/20 9.875% USD	287,182,475	287,182,475
Senior Secured Notes 12/20 9.875% USD	19,995,762	19,995,762
Total	**839,363,940**	**839,363,940**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2012
US dollar	450,000,000
US dollar	7,000,000
US dollar	400,000,000
US dollar	25,000,000
Euro	200,000,000
Euro	10,000,000

b) Intercompany Loan with Cool Holding Ltd. S.A.

The Group entered in an Intercompany Loan with the Cool Holding Ltd. S.A. on 27 December 2012 with an initial aggregate principal amount of NIS 184,100,000.

The maturity date is applicable on the maturity date on 15 December 2019 which is related to Cool Proceeds Note. The interest rate is the interest rate as provided under the Cool Proceeds Notes.

20—Other financial liabilities

	31 December 2012
Derivatives carried at fair value through profit or loss (Note 11)	
Cross currency swaps	9,819,658
Foreign exchange forward contracts	52,631,251
Total	**62,450,909**

21—Deferred tax

The analysis of deferred tax assets is as follows:

	31 December 2012
Deferred tax assets:	
Deferred tax assets to be recovered after more than 12 months	19,017,746
Net deferred tax assets	**19,017,746**

The tax losses are recognised for an amount of EUR 66,033,840.

Unrecognised deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:	
—tax losses (revenue in nature)	384,922
	384,922

22—Contingencies

The Group had no material contingencies at 31 December 2012.

23—Commitments

The Group had no material capital commitments at 31 December 2012.

24—Assets pledged as security

The shares, bank accounts and receivables of the Company and the following entities (its subsidiary, its parent company (Altice VII S.à r.l.), Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd have been pledged for the issued senior security notes. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

25—Related parties

Related parties transactions

a) *Loans to related parties*

	Amounts owed by related parties 31 December 2012
Bonds Cool Holding Ltd	207,419,580
Bonds H.Hadaros 2012 Ltd	188,395,614
Bonds HOT Ltd	374,661,795
Trade receivable HOT	14,071,644
Receivable Altice VII S.à r.l.	3,766,838

The details are disclosed on note 12.

b) *Loans from related parties*

	Amounts owed to related parties 31 December 2012
Intercompany loan Cool Holdings Ltd	37,349,365

The details are disclosed in the note 19.

c) *Profit and loss transactions with related parties*

	For the period ended 31 December 2012
Interest income Bonds Cool Holdings Ltd	342,765
Interest income Bonds H.Hadaros 2012 Ltd	311,087
Interest income Bonds HOT Ltd	269,353
Interest expense Intercompany Loan Cool Holdings Ltd	−59,938

26—Events after the reporting period

A related party (Altice IV S.A.) acquired in January 2013 an amount of USD 13,000,000 of bonds with a coupon interest of 7.875% with a maturity date on 15/12/2019 from Altice Financing S.A.. Altice IV S.A. also acquired in January 2013 an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with maturity date 15/12/2020 from Altice Finco S.A..

27—Approval of the consolidated financial statements

The consolidated financial statements were approved by the board of directors and authorized for issue on 21 March 2013.

Hot—Telecommunication Systems Ltd.

Interim Consolidated Financial Statements
as of March 31, 2013

HOT—TELECOMMUNICATION SYSTEMS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2013

IN NIS MILLIONS

UNAUDITED

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HOT—TELECOMMUNICATION SYSTEMS LTD.

CONSOLIDATED BALANCE SHEET

	March 31		December 31
	2013	2012	2012
	Unaudited		Audited
	NIS millions		
Current Assets			
Cash and cash equivalents	46	14	32
Restricted cash	15	—	69
Trade receivables	503	380(*)	549
Other receivables	63	68	62
Inventory	35	19	27
	662	481	739
Non-Current Assets			
Long-term trade receivables	74	96	82
Investment in available for sale financial asset	28	36	28
Other long-term receivables	130	114(*)	115
Fixed assets, net	4,041	3,896	4,136
Intangible assets, net	724	835	753
Goodwill	1,264	1,264	1,264
Deferred taxes	46	66	48(*)
	6,307	6,307	6,426
	6,969	6,788	7,165

(*) Reclassified—see Note 2C.

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT—TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED BALANCE SHEET

	March 31		December 31
	2013	2012	2012
	Unaudited		Audited
	NIS millions		
Current Liabilities			
Credit from financial institutions and current maturities of bonds	125	473[*]	125
Trade payables	973	818	1,062
Other payables	434	338[*]	412
Short-term loan from related party	15	—	70
Provision for legal claims	55	159	68
	1,602	1,788	1,737
Non-Current Liabilities			
Loans from financial institutions and bonds	1,264	2,423[*]	1,326
Loan from related party	1,900	—	1,900
Other long-term liabilities	352	560	374
Advances received for the installation of terminal equipment	53	44	52
Employee benefit liabilities, net	30	28	32
Deferred taxes	305	318	299[*]
	3,904	3,373	3,983
Equity			
Share capital	97	96	97
Share premium	1,680	1,654	1,680
Treasury shares	(184)	—	(184)
Capital reserve on share-based payments	—	38	—
Capital reserve on available for sale financial asset	10	16	10
Capital reserve on the re-measurement of defined benefit plans	(8)	(9)[**]	(9)[**]
Accumulated losses	(132)	(168)[**]	(149)[**]
	1,463	1,627	1,445
	6,969	6,788	7,165

(*) Reclassified—see Note 2C.

(**) Restated—see Note 2B.

May 14, 2013		
Date of the approval of the financial statements	Hertzel Ozer Chairman of the Board of Directors and Chief Executive Officer	Jean-Luc Berrebi Chief Financial Officer

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT—TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended March 31		Year ended December 31
	2013	2012	2012
	Unaudited		Audited
	NIS millions		
Revenues	1,065	1,027	4,192
Depreciation and amortization	276	244	1,094
Operating expenses	566	513(*)	2,259(*)
Selling and marketing expenses	62	79	300
General and administrative expenses	38	37	163
Other expenses (income), net	39	7	(23)
Operating income	84	147	399
Finance income	10	10	18
Finance expenses	(71)	(75)	(320)
Income before taxes on income	23	82	97
Taxes on income	6	22	18(*)
Net income	17	60	79
Other comprehensive loss (after tax effect):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Loss on available for sale financial asset	—	(5)	(11)
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (loss) on defined benefit plans	1	(1)	(1)
Other comprehensive income (loss)	1	(6)	(12)
Total comprehensive income	18	54	67

(*) Restated—see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT—TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (losses)	Capital reserve on an available for sale financial asset	Total equity
				Unaudited NIS millions			
Balance as of January 1, 2013 (Audited)	97	1,680	(184)	(9)(*)	(149)(*)	10	1,445
Net income	—	—	—	—	17	—	17
Total other comprehensive income	—	—	—	1	—	—	1
Total comprehensive income	—	—	—	1	17	—	18
Balance as of March 31, 2013	97	1,680	(184)	(8)	(132)	10	1,463

	Share capital	Share premium	Capital reserve on share-based payments	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (losses)	Capital reserve on an available for sale financial asset	Total equity
				Unaudited NIS millions			
Balance as of January 1, 2012 (Audited)	96	1,654	31	(8)(*)	137(*)	21	1,931
Net income	—	—	—	—	60(*)	—	60
Total other comprehensive loss	—	—	—	(1)(*)	—	(5)	(6)
Total comprehensive income (loss)	—	—	—	(1)	60	(5)	54
Dividend paid	—	—	—	—	(365)	—	(365)
Cost of share-based payment	—	—	7	—	—	—	7
Balance as of March 31, 2012	96	1,654	38	(9)(*)	(168)(*)	16	1,627

(*) Restated—see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT—TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Share capital	Share premium	Reserve on share-based payment transactions	Treasury shares	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (losses)	Capital Reserve on an available for sale financial asset	Total Equity
				Audited NIS millions				
Balance as of January 1, 2012	96	1,654	31	—	(8)(*)	137(*)	21	1,931
Net income	—	—	—	—	—	79(*)	—	79
Total other comprehensive loss	—	—	—	—	(1)(*)	—	(11)	(12)
Total comprehensive income (loss)	—	—	—	—	(1)	79	(11)	67
Purchase of treasury shares	—	—	—	(184)	—	—	—	(184)
Dividend paid	—	—	—	—	—	(365)	—	(365)
Exercise of option warrants	1	17	(17)	—	—	—	—	1
Expiration and forfeiture of option warrants	—	9	(29)	—	—	—	—	(20)
Cost of share-based payment	—	—	15	—	—	—	—	15
Balance as of December 31, 2012	97	1,680	—	(184)	(9)(*)	(149)(*)	10	1,445

(*) Restated—see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT—TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended March 31		Year ended December 31
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Cash flows from operating activities			
Net income	17	60(**)	79(**)
Adjustments required to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	300	244	1,094
Gain on the disposal of fixed assets	—	—	(1)
Taxes on income	6	22	18(**)
Change in employee benefit liabilities, net	(1)	4(**)	7(**)
Linkage differentials and write down of discounts relating to long-term loans from financial institutions and bonds	1	2	31
Revaluation of other long-term liabilities	—	3	4
Cost of share-based payments	—	7	(5)
Financing and other expenses, net	46	36	137
	352	318	1,285
Changes in asset and liability items:			
Decrease (increase) in trade receivables	46	(19)(*)	(188)
Increase in other receivables and long-term receivables	(16)	(4)(*)	(17)
Prepaid expenses paid to marketers	(26)	(15)	(104)
Decrease (increase) in inventory	(8)	5	(3)
Decrease (increase) in non-current trade receivables	8	(11)	3
Increase(decrease) in trade payables	(52)	(21)(*)	153(*)
Increase (decrease) in other payables	7	(10)(*)	(28)
Decrease in provision for legal claims	(13)	(9)	(100)
Decrease in other long-term liabilities	(1)	(2)	(30)
Increase in income in advance from the installation of terminal equipment, net	1	5	13
	(54)	(81)	(301)
Cash paid and received during the period for:			
Interest paid	(39)	(13)	(151)
Interest received	5	3	12
Income taxes received	—	—	13
Dividends received	—	—	2
	(34)	(10)	(124)
Net cash provided by operating activities	281	287	939

(*) Reclassified—see Note 2C.

(**) Restated—see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT—TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Three months ended March 31		Year ended December 31
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Cash flows from investment activities			
Acquisition of fixed assets and intangible assets	(183)	(305)[(*)]	(1,131)[(*)]
Consideration from the disposal of fixed assets	—	—	2
Repayment of (investment in) designated cash, net	54	—	(69)
Net cash used in investment activities	(129)	(305)	(1,198)
Cash flows from financing activities			
Short-term credit from financial institutions, net	—	(86)	(295)
Receipt of long-term loans from financial institutions, net of re-organization commissions and the issuance of bonds	—	500	1,050
Receipt (repayment) of short-term loan from a related party, net	(55)	—	70
Receipt of long-term loan from a related party	—	—	1,900
Repayment of long-term loans from financial institutions and bonds	(63)	(16)	(1,826)
Repayment of other long-term liabilities	(20)	(17)	(76)
Issuance of share capital	—	—	1
Dividend to shareholders in the Company	—	(365)	(365)
Purchase of treasury shares	—	—	(184)
Net cash provided by (used in) financing activities	(138)	16	275
Increase (decrease) in cash and cash equivalents	14	(2)	16
Cash and cash equivalents at the beginning of the period	32	16	16
Cash and cash equivalents at the end of the period	46	14	32
Significant non-cash activities			
Purchase of fixed assets on supplier credit	279	246[(*)]	316[(*)]
Purchase of fixed assets under finance leasing	4	27	51

(*) Reclassified—see Note 2C.

The accompanying notes form an integral part of the interim consolidated financial statements.

NOTE 1:—GENERAL

A. These financial statements have been prepared in a condensed format as of March 31, 2013 and for the periods of three months ended on that date (hereinafter –The interim consolidated financial statements). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2012 and for the year then ended and the accompanying notes thereto (hereinafter—The annual consolidated financial statements).

B. As of the balance sheet date the Group has a working capital deficit of approximately NIS 940 million (as of December 31, 2012—approximately NIS 998 million).

In the assessment of the Company's Board of Directors, after having received satisfactory explanations from the Company's management, the working capital deficit does not indicate that the Company has a liquidity problem and that the Company has sufficient sources of financing in order to clear the deficit on its working capital and to continue its operations, inter alia, by means of the forecast cash flows from operating activities and from the unexploited credit facilities from a related party.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

A. The format for the preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 ''Financial reporting for interim periods'' and also with the disclosure provisions in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports)—1970.

B. New standards, interpretations and amendments that have been implemented by the Company for the first time

The main accounting policies that have been implemented in the preparation of the interim consolidated financial statements are consistent with those that were implemented in the preparation of the Consolidated Annual Financial Statements, except as detailed below:

1. IAS 19 (Revised)—Employee Benefits

In June 2011, the IASB published IAS 19 (Revised), which is required to be implemented as from January 1, 2013. The principal amendments that are relevant to the Company are as follows:

- Actuarial gains and losses are to be recognized under other comprehensive income and are not to be reflected in profit or loss.
- The yield on the plan assets is to be recognized in profit or loss based on the discount rate used to measure the employee benefit liabilities, without connection to the actual results of the investments portfolio.
- The distinction between short-term employee benefits and long-term employee benefits is to be based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

As from January 1, 2013, the Company has changed its accounting policy and has implemented IAS 19 (Revised) for the first time retrospectively.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is the impact of the changes in the accounting policy as the result of the initial implementation of IAS 19 (Revised) on the Company's financial statements:

In the balance sheet

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
As of March 31, 2012			
Capital reserve on the re-measurement of defined benefit plans, net	—	(9)	(9)
Accumulated losses	(177)	9	(168)
As of December 31, 2012			
Capital reserve on the re-measurement of defined benefit plans, net	—	(9)	(9)
Accumulated losses	(158)	9	(149)

In the statements of comprehensive income

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
For the three months ended March 31, 2012			
Operating expenses	514	(1)	513
Net income	59	1	60
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	—	(1)	(1)
Total comprehensive income	54	—	54
For the year ended December 31, 2012			
Operating expenses	2,261	(2)	2,259
Taxes on income	17	1	18
Net income	78	1	79
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	—	(1)	(1)
Total comprehensive income	67	—	67

In the statements of changes in equity

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
As of January 1, 2012			
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	—	(8)	(8)
Retained earnings	129	8	137

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. IFRS 13—Fair value measurement

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to the international standards. IFRS 13 defines fair value as the price that would be received on the sale of an asset or paid on the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value reflects the ability of a market participant to produce economic benefits by means of the highest and best use of an asset. In addition, IFRS 13 details the characteristics of market participants on which the assumptions have been based in the calculation of the fair value. Fair value measurement is to be based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The provisions of IFRS 13 are to be applied prospectively as from January 1, 2013 and they do not apply to comparative figures. See Note 6.

The initial implementation of IFRS 13 has not had an impact on the Company's financial statements.

C. Reclassification

The Company has reclassified certain items in the comparative periods which are presented in the interim financial statements, in order to adjust them to the classification presented in the current period.

The main reclassifications that have been made include:

(a) A reclassification has been made in the statement of cash flows for the period of three months ended March 31, 2012 in respect of financial leasing in an amount of NIS 27 million from the purchase of fixed assets, which formed part of the net cash flows used for investment activities and from the increase in other long-term liabilities, which formed part of net cash provided by financing activities, to significant non-cash activities.

(b) The elimination of the exaggeration in respect of income receivable in trade receivables opposite income in advance which is recorded under other payables as of March 31, 2012, in an amount of NIS 17 million.

(c) A reclassification of the liabilities in respect of bonds from the item bonds to loans from financial institutions and bonds (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 1,378 million. Furthermore, a reclassification has been made in respect of current maturities of bonds to credit from financial institutions and current maturities of bonds (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 123 million. The aforesaid has also had a similar impact on the statements of cash flows for the said periods.

(d) A reclassification (by way of the consolidation of items) of the item rights to broadcast movies and programs to other long-term receivables as of March 31, 2012 in an amount of NIS 86 million.

(e) A reclassification of the balance of deferred taxes from non-current assets to non-current liabilities in an amount of NIS 13 million as of December 31, 2012.

(f) A reclassification in respect of the purchase of fixed assets on supplier credit in the statement of cash flows for the period of three months ended March 31, 2012 in an amount of NIS 1 million from cash flows used in investment activities to cash flows produced by operating activities and in an amount of NIS 9 million from cash flows produced by operating activities to cash flows used in investment activities in the year ended December 31, 2012.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it.

NOTE 3:—CONTINGENT LIABILITIES

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter—The Legal Claims).

In the opinion of the managements of the Companies in the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of NIS 55 million has been recorded in the financial statements as of March 31, 2013, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the managements of the Companies in the Group, the amount of the additional exposure, in an amount of approximately NIS 3.**8** billion (over and above the provisions that have been recorded in these financial statements), as of March 31, 2013, as a result of lawsuits that have been filed against companies in the Group on various matters, is as follows:

A. An amount of approximately NIS 2.1 billion in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

B. An amount of approximately NIS 0.4 billion (an amount of NIS 62 million in respect of claims that were filed after the balance sheet date) in respect of claims, of which it is not yet possible, at this stage, to make an assessment, the main ones being in connection applications for the approval of class actions that were presented close to the date of the financial statements.

C. An amount of approximately NIS 1.3 billion in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50%.

The following is an abbreviated summary of the Group's contingent liabilities effective as of March 31, 2013, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of March 31, 2013	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of March 31, 2013	Provisions recorded in the financial statements as of December 31, 2012	Updating of the expense (income), net in the reporting period
			NIS millions		
Customers	3,375	334	10	10	—
Lawsuits after the balance sheet date in respect of customers	62	62	—	—	—
Copyrights	81	—	43	54	1
Suppliers	37	—	2	3	—
Employees	5	1	—	1	—
The merger transaction	234	—	—	—	—
Total	3,794	397	55	68	1

NOTE 4:—DEVELOPMNENTS IN THE FIELD OF LEGISLATION AND SUPERVISION

The Group is subject to a broad range of legislation, which organizes and restricts its business operations, including its charge rates. Arrangements apply to the Company's charge rates under the force of the Communications Law. The Company's supervised service charges are set in regulations and are updated in accordance with a linkage formula. All of the Group's operating segments face competition. As a general rule, the Company's operations are subject to arrangements that are dictated by the authorities and are subject to supervision.

NOTE 5:—ADDITIONAL SIGNIFICANT EVENTS IN THE REPORTING PERIOD

A. During the reporting period, the management of the subsidiary company HOT Mobile made a decision to vacate its office building in the Airport City, in respect of which there is a long-term rental contract with Airport City up to and including the year 2019. As a result of this decision, the company recognized an expense of NIS 27 million in the reporting period, which was recorded under other expenses, reflecting rental expenses, taxes and the amortization of leasehold improvements in the leased property, which are irrecoverable in the Company's assessment and which fall within the definition of a burdensome contract.

B. The allocation of options to senior employees

As a result of the delisting of the Company's shares from trading, and in accordance with the agreements that had been signed with the Company's employees and office holders, within the framework of the allocation agreements, it was determined that in the event that the Company's shares would be delisted from trading for any reason whatsoever, the offerees would be entitled to exercise all of the options that had vested within a period of 90 days from the time of the delisting, within that period, so long as they became shareholders immediately prior to the delisting from trading. On March 25, 2013 all of the options expired. The impact of the aforesaid was recorded in the annual financial statements as of December 31,2012.

NOTE 6:—FINANCIAL INSTRUMENTS

A. Fair value

The following are the carrying values in the accounting records and the fair values of financial instruments that are presented in the financial statements other than in accordance with their fair values as of March 31, 2013:

	Carrying value	Fair value
	NIS millions	
Financial liabilities		
Bonds bearing interest at a fixed rate of interest (including current maturities)	1,389	1,503
Liabilities to the government and other long-term liabilities at a fixed rate of interest (including current maturities)	200	210
Loan from related party	1,931	1,931
	3,520	3,644

NOTE 7:—POST BALANCE SHEET DATE EVENTS

A. See Note 3 for the amount of class actions filed after the balance sheet date

B. See Note 5A for vacation of office building in the Airport City.

NOTE 8:—OPERATING SEGMENTS

A. General

As stated in the annual consolidated financial statements, the companies in the Group are engaged in three principal operating segments: Cellular, Telecom and Broadcasting.

B. Report on segmental activities

	For the period of three months ended March 31, 2013					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income(*)	Total consolidated
			Unaudited NIS in millions			
Revenues from external sources	232	507	562	5	(241)	1,065
Segmental income (loss)	(119)	154	55	(2)	—	88
Other unattributed expenses						(4)
Operating income						84
Financing expenses, net						(61)
Income before taxes on income						23

(*) The revenues are primarily attributed to the Telecom segment.

	For the period of three months ended March 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income(*)	Total consolidated
			Unaudited NIS in millions			
Revenues from external sources	189	493	578	1	(234)	1,027
Segment income (loss)	(5)	114	40	(2)	—	147
Financing expenses, net						(65)
Income before taxes on income						82

	For the year ended December 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income(*)	Total consolidated
			Audited NIS in millions			
Total revenues	855	2,008	2,275	11	(957)	4,192
Segment income (loss)	(203)	491	107	(12)	(2)	381
Other unattributed income						18
Operating income						399
Financing expenses, net						(302)
Income before taxes on income						97

(*) The revenues are primarily attributed to the Telecom segment.

Hot—Telecommunication Systems Ltd.

Consolidated Financial Statements
as of December 31, 2012

HOT—Telecommunication Systems Ltd.
Consolidated Financial Statements
as of December 31, 2012
NIS in Millions

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Auditors' Report

To the Shareholders of

HOT—Telecommunication Systems Ltd

We have audited the attached consolidated balance sheets of HOT—Telecommunication Systems Ltd. (hereinafter—''the Company'') as of December 31, 2012 and 2011 and the consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended on December 31, 2012. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the abovementioned consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2012 and 2011, the results of their operations and the changes in their equity and cash flows for each of the three years in the period ended on December 31, 2012, and this in accordance with International Financial Reporting Standards (IFRS) and the disclosure requirements in accordance with the Securities Regulations (Annual Financial Statements)—2010.

Without qualifying our above opinion, we draw attention to the contents of Note 25 to the financial statements on the subject of claims that have been presented against the Company and its subsidiary companies and which it is not possible to assess or to calculate their impact at this stage.

Tel-Aviv
March 27, 2013

KOST FORER GABBAY & KASIRER
Certified Public Accountants

HOT—Telecommunication Systems Ltd.

Consolidated Balance Sheets

	Note	December 31 2012	 2011
		NIS in Millions	
Current Assets			
Cash and cash equivalents	5A	32	16
Restricted cash	5B	69	—
Trade receivables	6	549	361(*)
Other receivables	7	62	79
Inventory	8	27	24
Total current assets		739	480
Non-Current Assets			
Long-term trade receivables	9	82	85
Investment in financial asset available for sale	10	28	42
Other long-term receivables	12	115	103(*)
Fixed assets, net	13	4,136	3,763
Intangible assets, net	14	753	837
Goodwill	14	1,264	1,264
Deferred taxes	24	61	71
Total non-current assets		6,439	6,165
		7,178	6,645

(*) Reclassified—see Note 2S.

The accompanying notes form an integral part of the consolidated financial statements.

HOT—Telecommunication Systems Ltd.

Consolidated Balance Sheets (Continued)

	Note	December 31 2012	 2011
		NIS in Millions	
Current Liabilities			
Credit from financial institutions and current maturities of bonds	15	125	436[*]
Trade payables	16	1,062	814[*]
Other payables	17	412	310[*]
Short-term loan from a related party		70	—
Provision for legal claims	18	68	168
Total current liabilities		1,737	1,728
Non-Current Liabilities			
Loans from financial institutions and bonds	19	1,326	2,064[*]
Loans from a related party	20	1,900	—
Other long-term liabilities	23	374	555
Advances received for terminal equipment installation		52	42
Employee benefit liabilities, net	22	32	23
Deferred taxes	24	312	302
Total non-current liabilities		3,996	2,986
Equity	26		
Share capital		97	96
Treasury shares		(184)	—
Share premium		1,680	1,654
Reserve on share-based payments		—	31
Capital reserve on an available for sale financial asset		10	21
Retained earnings (accumulated loss)		(158)	129
		1,445	1,931
		7,178	6,645

[*] Reclassified—see Note 2S.

March 27, 2013			
Date of the approval of the Financial Statements	Dexter Goei Deputy Chairman of the Board of Directors	Herzl Ozer CEO	Jean-Luc Berrebi CFO

The accompanying notes form an integral part of the consolidated financial statements.

HOT—Telecommunication Systems Ltd.

Consolidated Statement of Comprehensive Income

		Year ended December 31		
	Note	2012	2011(*)	2010(*)
		NIS in Millions		
Revenues	27A	4,192	3,374	3,254
Depreciation and amortization		1,094	844	783
Operating expenses	27B	2,261	1,621	1,699
Sales and marketing expenses	27C	300	242	202
Administrative and general expenses	27C	163	130	125
Other (income) expenses, net and network set-up costs (see Note 2T)	27E	(23)	(103)	154
Operating income		397	640	291
Financing income	27D	18	31	10
Financing expenses	27D	(320)	(230)	(201)
Income before taxes on income		95	441	100
Taxes on income (tax benefit)	24	17	100	(6)
Net income		78	341	106
Other comprehensive earnings (loss) (after tax effects):				
Changes in the fair value of an available for sale financial asset less tax effects		(11)	(36)	(4)
Total other comprehensive loss		(11)	(36)	(4)
Total comprehensive income		67	305	102

(*) Reclassified—see Note 2S.

The accompanying notes form an integral part of the consolidated financial statements.

HOT—Telecommunication Systems Ltd.

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Reserve on share-based payment transactions	Treasury shares	Retained earnings (losses)	Capital Reserve on an available for sale financial asset	Total Equity
				NIS in Millions			
Balance as of January 1, 2010	95	1,570	3	—	(318)	61	1,411
Net income	—	—	—	—	106	—	106
Total other comprehensive loss	—	—	—	—	—	(4)	(4)
Total comprehensive income (loss) . .	—	—	—	—	106	(4)	102
Exercise of options into shares	—(*)	2	(1)	—	—	—	1
Cost of share-based payment	—	—	7	—	—	—	7
Balance as of December 31, 2010 . .	95	1,572	9	—	(212)	57	1,521
Net income	—	—	—	—	341	—	341
Total other comprehensive loss	—	—	—	—	—	(36)	(36)
Total comprehensive income (loss) . .	—	—	—	—	341	(36)	305
Issuance of shares	1	82	—	—	—	—	83
Cost of share-based payment	—	—	22	—	—	—	22
Balance as of December 31 2011 . . .	96	1,654	31	—	129	21	1,931
Net income	—	—	—	—	78	—	78
Total other comprehensive loss	—	—	—	—	—	(11)	(11)
Total comprehensive income (loss) . .	—	—	—	—	78	(11)	67
Purchase of treasury shares				(184)	—	—	(184)
Dividend paid	—	—	—	—	(365)	—	(365)
Exercise of option warrants	1	17	(17)	—	—	—	1
Expiration and forfeiture of option warrants	—	9	(29)		—	—	(20)
Cost of share-based payment	—	—	15	—	—	—	15
Balance as of December 31 2012 . . .	97	1,680	—	(184)	(158)	10	1,445

(*) Represents an amount lower than NIS 1 million.

The accompanying notes form an integral part of the consolidated financial statements.

HOT—Telecommunication System Ltd.

Consolidated Statements of Cash Flow

	Year ended December 31		
	2012	2011	2010
	NIS in Millions		
Cash Flow from Operating Activities			
Net income	78	341	106
Adjustments required to present cash flows from operating activities:			
Adjustments to elements of the statement of income:			
Depreciation and amortization	1,094	844	783
Gain on the disposal of fixed assets	(1)	—	(1)
Taxes on income, (tax benefit)	17	100	(6)
Change in employee benefit liabilities, net	9	5	(6)
Linkage differentials and reduction of discounting on bonds and long-term loans from financial institutions	31	15	—
Revaluation of other long-term liabilities	4	19	29
Cost of share-based payment, net	(5)	22	7
Financing and other expenses, net	137	110	92
	1,286	1,115	898
Changes in asset and liability items:			
Increase in trade receivables	(188)	(2)(*)	(14)
Increase in other receivables and long-term receivables	(17)	(33)(*)	(16)(*)
Increase in subscription acquisition costs	—	(26)	(38)
Prepaid expenses paid to marketers	(104)	—	—
Decrease (increase) in inventory	(3)	1	—
Decrease (increase) in non-current trade receivables	3	(6)	—
Increase in trade payables	144	43	55
Increase (decrease) in other payables	(28)	—(*)	16
Increase (decrease) in provision for legal claims	(100)	(105)	199
Increase (decrease) in other long-term liabilities	(30)	2	(6)
Increase (decrease) in income in advance from the installation of terminal equipment, net	13	5	(3)
	(310)	(121)	193
Cash paid and received during the course of the year for:			
Interest paid	(151)	(105)	(120)
Interest received	12	4	1
Taxes received	13	—	—
Dividends received	2	6	25
	(124)	(95)	(94)
Net cash provided by operating activities	930	1,240	1,103

(*) Reclassified—see Note 2S.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flow (Continued)

	Year ended December 31		
	2012	2011	2010
	NIS in Millions		
Cash Flows from Investment Activities			
Purchase of newly-consolidated subsidiary (A)	—	(480)	—
Acquisition of fixed assets and intangible assets	(1,122)	(508)(*)	(607)(*)
Proceeds from the disposal of fixed assets	2	—	7
Repayment (investment) in restricted cash, net	(69)	121	49
Net cash used in investment activities	(1,189)	(867)	(551)
Cash Flows from Financing Activities			
Short-term credit from financial institutions, net	(295)	(225)(*)	(312)(*)
Receipt of long-term loans from financial institutions, net of re-organization commissions and the issuance of bonds	1,050	2,181(*)	600(*)
Receipt of a short-term loan from a related party	70	—	—
Receipt of a long-term loan from a related party	1,900	—	—
Repayment of long term loans from financial institutions and bonds	(1,826)	(2,338)	(792)
Increase in other long-term liabilities	—	—(*)	—(*)
Repayment of other long-term liabilities	(76)	(59)	(49)
Issuance of share capital	1	83	—
Dividend for shareholders in the Company	(365)	—	—
Purchase of treasury shares	(184)	—	—
Net cash provided by (used in) financing activities	275	(358)	(553)
Increase (decrease) in cash and cash equivalents	16	15	(1)
Cash and cash equivalents at the beginning of the year	16	1	2
Cash and cash equivalents at the end of the year	32	16	1

(A) *Purchase of Newly Consolidated Subsidiary*

	Year ended December 31,2011
Working capital (except for cash and cash equivalents)	316
Non-current liabilities, including in respect of conditional consideration	403
Fixed assets	(640)
Intangible assets	(389)
Goodwill	(207)
Other long-term fixed assets	(83)
Deferred tax liabilities, net	120
	(480)

(B) *Significant Non-cash Transactions*

	2012	2011	2010
Acquisition of fixed assets on credit	345	241	172
Acquisition of fixed assets under finance leasing	51	37(*)	41(*)

(*) Reclassified—see Note 2S.

The accompanying notes form an integral part of the consolidated financial statements.

Note 1:—General

A. *General description of the Group and its activities*:

1. HOT Telecommunication Systems Ltd. (hereinafter—the Company) and its wholly owned consolidated companies and consolidated partnerships are active in five principle fields of activity:

   a) Multi-channel television broadcasts for subscribers

   b) In country landline communications services.

   c) Cellular communications services.

   d) Internet provider services (hereinafter—ISP Services)—as of December 31, 2012 this activity is insignificant and therefore it has not been reported as a reportable segment.

   e) The provision of international communications services—as from January 2013, in accordance with an operator's license for the provision of international services, which HOT Mobile received in May 2012.

2. The Company is an Israeli registered company. In October 1993 the Company became a public company. On December 27, 2012, a transaction was completed within the framework of which Cool Holdings Ltd, (hereinafter—Cool), the controlling interest in the Company acquired all of the public's holdings in the Company, such that with the completion of the said transaction, the Company became a private company that is wholly owned by Cool (directly and through a wholly owned company). Since the Company's bonds are registered for trading on the Stock Exchange, the Company remains a reporting company.

3. The ultimate controlling interest (100%) in the Company, as from December 27, 2012, is Mr. Patrick Drahi; through his holdings in the Altice VII Group, which is the Company's ultimate parent company.

4. The Group is subject to an array of different laws, which organize and restrict its business operations, including its charge rates. Arrangements apply to the Company's charge rates under the Telecommunications Law. The Company's charge rates for services, which are supervised, are set in Regulations and are updated in accordance with a linkage formula. All of the Group's operating segments face competition. The Group's operations are generally subject to governmental arrangements and supervision.

5. *Deficit on the Company's working capital*

   As of the balance sheet date, the Group has a working capital deficit of NIS 998 million (as of December 31, 2011—NIS 1,248 million).

   In the assessment of the Company's Board of Directors, after having received satisfactory explanations from the Company's management and after having examined the Company's forecast cash flows for a period of twenty four months, the working capital deficit does not indicate that the Company has a liquidity problem and that the Company have sufficient sources of financing in order to clear the deficit on its working capital and to continue its operations, inter alia, by means of the forecast cash flows from operating activities and from the unexploited credit facilities.

Note 1:—General (Continued)

B. *Definitions*

In these financial statements:

The Company — HOT Telecommunications Ltd.

Consolidated companies and partnerships — Companies or partnerships over which the Company has control (as defined in IAS 27 (2008)) and whose financial statements are consolidated with the Company's financial statements.

Investee companies — Consolidated companies and partnerships and an affiliated company.

Other company — A company that is not an investee company and the investment in which is measured on the basis of its fair value

The parent company — Cool Holdings Ltd. (Cool Holdings Ltd. S.a.r.l.)

The Group — The Company and its consolidated companies and partnerships.

Interested parties and controlling interests — As defined in the Securities Regulations (Annual financial statements)—2010.

Related parties — As defined in IAS 24.

Note 2:—Significant Accounting Policies

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. *Basis of the presentation of the financial statements*

These financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRS''). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis, except for: liabilities in respect of a share-based payment transactions that is cleared in cash, derivatives and financial instruments, deferred taxes, employee benefits and provisions.

The Company has elected to present profit or loss items using the function of expense method.

B. *The period of the operating cycle*

The regular operating cycle of the Company is one year.

C. *Consolidated financial statements*

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the controlled entity. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and for the same periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intra-group transactions are eliminated in full in the consolidated financial statements.

Note 2:—Significant Accounting Policies (Continued)

D. *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree. In each business combination, the Company elects whether to measure the non-controlling interests in the acquiree based on their fair value on the date of the acquisition or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the income statement as incurred.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IAS 39. Subsequent changes in the fair value of the contingent consideration are recognized in the statement of income or in the statement of other comprehensive income. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent re-measurement.

Goodwill is initially measured at cost, which represents the excess of the acquisition consideration and the amount of the non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of the assessment of impairment of goodwill, goodwill that was purchased in a business combination is assessed and attributed to the cash-generating units to which it had been allocated.

E. *The Functional currency, the presentation currency and foreign currency*

1. *The Functional currency and the presentation currency*

The presentation currency for the financial statements is the New Israeli Shekel (NIS).

The Group determines the functional currency for each company in the Group and the financial position and the results of the operations are measured separately in accordance with that currency.

2. *Transactions, assets and liabilities in foreign currency*

Transactions that are denoted in foreign currency are recorded at the time that they are initially recognized in accordance with the exchange rate as of the time of the transaction. Following the initial recognition, the financial assets and liabilities that are denoted in foreign currency are translated at each balance sheet date into the functional currency in accordance with the exchange rate at that time. Exchange differences are reflected in the statement of income. Non-monetary assets and liabilities, which are denoted in foreign currency and which are presented at cost are translated in accordance with the exchange rate at the time of the transaction. Non-monetary assets and liabilities, which are denoted in foreign currency and which are presented at fair value are translated into the functional currency in accordance with the exchange rate at the time at which the fair value is determined.

3. *Index-linked financial items*

Financial assets and liabilities that are linked in accordance with their terms to changes in the Consumer Prices Index in Israel (hereinafter—the index) are adjusted in accordance with the relevant index, at each balance sheet date, in accordance with the terms of the agreement. Linkage differences that derive from the adjustments, as aforesaid, are recognized in profit or loss.

Note 2:—Significant Accounting Policies (Continued)

F. *Cash equivalents*

Highly liquid investments, which include short-term deposits with banks, which are not restricted by a charge and whose deposit periods did not exceed three months at the time of investment or which exceeded three months but which can be withdrawn immediately without a fine being incurred are considered to be cash equivalents and constitute a part of the management of the Group's cash balances.

G. *Provision for doubtful debts*

The provision for doubtful debts is specifically calculated in respect of those debts whose collection in the Company's management's assessment is doubtful. Moreover, the Company recognizes a provision in respect of groups of customers who are evaluated collectively in respect of impairment in value based on their credit risk characteristics. The debts of customers where an impairment of value has occurred, are written off at the time at which it is determined that those debts cannot be collected.

H. *Inventory*

Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes the costs that have been incurred in purchasing the inventory and bringing it to its present location and condition. Net realizable value is an estimate of the selling price in the ordinary course of business, less an estimate of the costs to completion and the costs necessary to make the sale. The Group examines the state of the inventory and its aging during each period and records provisions for slow moving inventory accordingly.

The cost of inventory is determined in accordance with the weighted average method.

I. *The recognition of revenues*

Revenues are recognized in profit or loss when the income can be measured in a reliable manner, it is expected that the economic benefits that are related to the transaction will flow to the Company and that the costs that have been incurred or which will be incurred in respect of the transaction can be reliably measured. Where the Company operates as the main supplier and bears the risks that are derived from the transaction, the revenues are presented on a gross basis. In cases where the Company acts as an agent or as a broker, without being exposed to the risks and the rewards associated with the transaction, the revenues are presented on a net basis. Revenues are measured in accordance with the fair value of the consideration for the transaction less commercial discounts, quantity discounts and returns.

The following are the specific criteria in respect of the recognition of income in respect of the following types of income:

Revenues from the rendering of services

Revenues from the rendering of cable television, internet, telephony and radio telephone on a cellular network services are recognized in accordance with the stage of completion of the transaction as at the balance sheet date. In accordance with this method, the revenue is recognized in the reporting periods in which the services are provided.

Income in advance from the sale of dialing cards is recognized in accordance with the earlier of the actual use by the customers or the time at which the dialing card's period of validity expires.

Revenues from the sale of equipment

Revenues from the sale of equipment includes the sale of mobile devices and ancillary equipment for those devices. The revenues from the sales are recognized where all of the significant risk and yields that are derived from the ownership of the equipment are transferred to the purchaser and the seller does not retain continuing managerial involvement. Generally, the time of the of the delivery is the time at which ownership is transferred. The charge in respect of terminal equipment is made

Note 2:—Significant Accounting Policies (Continued)

separately from the monthly charge for the consumption of services, in accordance with the amounts that is denoted in a separate invoice, which reflects the fair value of the terminal equipment, which is not subsidized by the Group. In the light of the aforesaid, the Group recognizes revenues in respect of the sale of devices on the transfer of the ownership of the devices to its customers. The revenues are recognized on the first day in accordance with its fair value as of that time and the difference between the fair value and the denoted amount of the consideration is recognized as financing income over the course of the period of the installment payments.

Income from credit arrangements

Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded on the basis of the present value of the future cash flows (against long-term receivables) and are discounted in accordance with interest rates. The difference between the original amount of the credit and the present value, as aforesaid, is spread over the length of the credit period and recorded as interest income over the length of the credit period.

Revenues in respect of fees for installation in customer's homes

In accordance with the provisions of IAS 18, since the transaction in respect of the connection of a customer to the Group's services is connected to a services arrangement, in such manner that the services arrangement will only have a commercial effect in relation to both of the transactions together (the connection and the services), the revenues from instillation/ connection fees are recognized over the length of the expected period of the commitment between the customer and the Company, in accordance with the services arrangement, as aforesaid.

Dividend income

Dividend income from investments that are classified as an available for sale financial asset is recognized at the determining date for entitlement to the dividend.

J. *Taxes on income*

Taxes on income in profit or loss comprise current taxes and deferred taxes. The tax expenses in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are reflected directly in other comprehensive income or in equity.

1. *Current taxes*

The current tax liability is determined using the tax rates and the tax laws that have been enacted or substantially enacted, as of the reporting date, as well as the adjustments that are required in connection with the tax liability in respect of previous years.

2. *Deferred taxes*

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the balance sheet date. The amount at which deferred taxes are stated in profit or loss represents the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognized in other comprehensive income or in equity.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not expected that they will be utilized. Temporary differences (such as losses carried forward for tax purposes) for which deferred tax assets had not been recognized are reviewed at the end of each reporting period and a respective deferred tax asset is recognized to the extent that their utilization is expected.

Note 2:—Significant Accounting Policies (Continued)

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Furthermore, deferred taxes that would apply in the event of the distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

All deferred tax assets and liabilities are presented in the balance sheet as non-current assets and non-current liabilities, respectively. Deferred taxes are set-off if an enforceable legal right exists, which enables the setting-off of a current tax asset against a current tax liability and the deferred taxes relate to the same entity, which is chargeable to tax, and to the same tax authority.

K. *Leasing*

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles set in IAS 17.

The group as a Lessee

1. *Financing leasing*

Assets, where substantially all of the risks and the benefits that are incidental to ownership of the leased asset have been transferred to the Group are classified as financing leases. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The liability for lease payments is presented at its present value and the lease payments are apportioned between finance charges and a reduction of the lease liability using the effective interest method.

The leased asset is amortized over the shorter of its useful life or the lease term.

2. *Operating leases*

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

L. *Fixed assets*

Fixed asset items are presented at cost with the addition of direct purchase costs and less accumulated depreciation, accumulated impairment losses and investment grants that have been received and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that are used in connection with the fixed assets. Fixed asset components with a cost that is significant in relation to the total cost of the item is depreciated separately, under the components method.

Note 2:—Significant Accounting Policies (Continued)

Depreciation is calculated at equal annual rates on a straight-line bases over the useful lives of the assets, as follows:

	%	
Buildings	2 – 4	Primarily 2%
Cable network	5 – 25	
Call center (primarily electronic equipment)	11 – 20	
Infrastructure for the telecommunications network	6 – 15	
Converters and modems	15	
Computers and ancillary equipment	15 – 33	
Office furniture and equipment	6 – 15	
Leasehold improvements[(*)]	10	

[(*)] Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of any asset are reviewed at least at each year-end and any changes are accounted for prospectively as a change in an accounting estimate.

Depreciation of an asset is halted at the earlier of the time that the asset is classified as held for sale and the time that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the de-recognition of the asset is included in profit or loss when the asset is derecognized.

M. *Intangible assets*

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. After initial recognition, intangible assets are measured at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with a finite useful life are amortized over their useful life and tested for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in profit or loss.

Customer relationships

Customer relations—This intangible asset has been valued on the basis of the fair value of the existing customers in accordance with the connections with them and in accordance with the economic benefit that is expected in each period. The amortization period for customer relations is 7 - 9 years and in accordance with the economic benefits that are expected in each period.

Customer connections with a defined contractual term

This intangible asset was valued within the framework of the acquisition of the shares in HOT Mobile on the basis of the cash flows that are expected from existing orders or signed contracts with the existing customers in accordance with the surplus profits for multiple periods method.

The amortization period for this asset is 3 years, in accordance with the number of years in the discounted forecast, based on data from the existing contracts.

Brand names

The ‘‘HOT’’ brand and the ‘‘Mirs’’ brand—these intangible assets have been valued on the basis of the actual cost of the creation of the brands, taking into account the stage at which each brand is in

Note 2:—Significant Accounting Policies (Continued)

and in accordance with the release from the future royalties method. The amortization period for the brands is 5 - 12 years, in accordance with the straight-line method.

Subscriber acquisition costs

The Group has an intangible asset that was created in respect of the costs of the purchase of subscribers. Additional direct sales commissions, which are paid in respect of sales to subscribers, who have made a commitment to the marketer to remain customers of the Company's services, are recognized as an intangible asset up to the amount of the maximum fine that exists in respect of their commitment. The amortization expenses in respect of the purchase of subscribers are recorded in the statement of comprehensive income over the length of the average contractual commitment of the subscribers.

Software

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware, which cannot function without the programs installed on it is classified as a fixed asset. In contrast, licenses for self-standing software and additional functionality additions to the hardware are classified as intangible assets.

HOT Mobile license

HOT Mobile has a general license for the provision of mobile radiotelephone services on a cellular network for a period of 20 years. The license is amortized under the straight-line method over its useful lifetime in accordance with the license period that was set in an agreement.

Goodwill

Goodwill represents the surplus of the acquisition cost over the estimated fair value of the tangible and intangible assets, after deducting the fair value of the liabilities that have been acquired by the Company.

Rights to screen movies and programs

The cost includes the amounts of the commitments with suppliers of rights to screen movies and television programs, with the addition of direct costs that have been expended in order to adapt the movies and the programs for screening in Israel.

Rights to use content, which have been made available to a fully consolidated company. are recorded under this item. The cost of the rights is amortized on the basis of the actual screenings, with a relatively higher weighting being given to the first screening.

N. *Impairment in the value of non-financial assets*

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no

Note 2:—Significant Accounting Policies (Continued)

impairment loss been recognized for the asset in prior years, and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Goodwill in respect of subsidiaries

The Company reviews goodwill for impairment once a year as of December 31 or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

O. *Financial instruments*

1. *Financial assets:*

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

a) *Financial assets at fair value through profit or loss*

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

b) *Loans and receivables*

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

c) *Available-for-sale financial assets*

Available-for-sale financial assets are (non-derivative) financial assets that are designated as available for sale or are not classified in any of the preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is recognized in profit or loss. Revenues from dividends from investments in equity instruments are recognized when the right to receive the dividends is established.

2. *Financial liabilities*

Financial liabilities within the scope of IAS 39 are initially recognized at fair value. Loans are presented net of directly attributable transaction costs.

Note 2:—Significant Accounting Policies (Continued)

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) *Financial liabilities at amortized cost*

After initial recognition, loans, including bonds, are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

b) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

3. *Fair value*:

The fair value of financial instruments that are traded in an active market is determined by reference to market prices at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow or other valuation models.

4. *The offsetting of financial instruments*:

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5. *De-recognition of financial instruments*

a) *Financial assets*

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) *Financial liabilities*

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability.

Note 2:—Significant Accounting Policies (Continued)

6. *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

a) *Financial assets carried at amortized cost*

Objective evidence of impairment exists when one or more events that have occurred after the initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In subsequent periods, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

b) *Available-for-sale financial assets*

For equity instruments classified as available-for-sale financial assets, which are capital instruments, the objective evidence includes a significant or prolonged decline in the fair value of the asset below its cost and evaluation of changes in the technological, market, economic or legal environment in which the issuer of the instrument operates.

P. *Provisions*

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects part or all of the expense to be reimbursed to the Company, such as in an insurance contract, the reimbursement is recognized as a separate asset only when it is virtually certain that it will be received by the Company. The expense is recognized in the statement of income, net of the reimbursed amount.

The following are the types of provisions that are recorded in the financial statements:

Legal claims

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic resources will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the impact of the value of time is significant, the provision is measured at its present value.

Warranty

The Group recognizes a provision for warranty in respect of products that have been sold. The warranty is restricted to technical malfunctions, which are defined by the Company and it does not include warranty as the result of the customer's damages.

Q. *Employee benefit liabilities*

The Group has several employee benefit plans:

1. *Short-term employee benefits*

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Group has a legal or constructive

Note 2:—Significant Accounting Policies (Continued)

obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. *Post-employment benefits*

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured at an actuarial evaluation, using the projected unit credit method. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that matches the estimated term of the benefit obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies (''the plan assets''). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

Actuarial gains and losses are reflected in the statement of income.

Since 2011, the Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

3. *Other long-term employee benefits*

The Group's net obligation in respect of other long-term employee benefits is calculated on the basis of an actuarial valuation and is in respect of the future benefit amount due to employees for services rendered in current and prior periods, taking the rate of expected salary increases into account. This amount of benefits is discounted to its present value. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Group's obligation.

Actuarial gains and losses are fully recognized in profit or loss in the period in which they occur.

4. *Termination benefits*:

Employee termination benefits are recognized as an expense when the Group has committed, without realistic possibility of withdrawal, to terminate employees before the normal retirement date according to a detailed formal plan. Benefits to employees in respect of voluntary retirement are provided for when the Group has offered the employees a plan that encourages voluntary redundancy, it is expected that the offer will be accepted and the number of respondents can be reliably measured.

R. *Share-based payment transactions*

Up to December 27, 2012, the Group's employees were entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. (As from the said time, the Company's shares have been removed from trading on the Stock Exchange and as a result, as from that time there are no share-based payment transaction in force).

Note 2:—Significant Accounting Policies (Continued)

Equity-settled transactions

The cost of equity-settled transactions with employees was measured at the fair value of the equity instruments granted at the time of the grant. The fair value is determined using an acceptable options pricing model.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award (''the vesting period'').

No expense is recognized for awards that do not ultimately vest. See also Note 26.

Cash-settled transactions

The cost of cash-settled transactions was measured at fair value on the grant date using an acceptable option pricing model. The fair value was recognized as an expense over the vesting period and a corresponding liability was recognized. The liability was re-measured at each reporting date until settled at fair value with any changes in fair value being recognized in profit or loss.

S. *Reclassification and change in the structure of the presentation of the statement of comprehensive income*

1. *Change in the structure of the presentation of the statement of comprehensive income*

Within the framework of these financial statements, the Company's management has decided to change the structure of the presentation of the statement of comprehensive income in accordance with the presentation that has been included in these financial statements. In the Company's management's opinion, the current presentation leads to a fairer and more reliable presentation of the Company's results and its financial position.

The following table presents the impact of the change in the structure of the presentation of the statement of comprehensive income on the comprehensive income for each of the years ended December 31, 2011 and 2010:

	Year ended December 31					
	2011			2010		
	As previously reported	The change	As presented in these financial statements	As previously reported	The change	As presented in these financial statements
	NIS in million					
Gross income	1,045	(1,045)	—	890	(890)	—
Depreciation and amortization	708	136	844	665	118	783
Sales and marketing expenses:	244	(2)	242	204	(2)	202
General and administrative expenses	134	(4)	130	129	(4)	125
Net income	341	—	341	106	—	106

2. *Reclassification*

The Company has reclassified certain sections in the financial information that is presented in the financial statements in respect of previous periods, in order to adjust them to the presentation in the current period. The main reclassification that have been made include:

a) The reclassification of finance leases in the statement of cash flows for the year ended December 31, 2011, in an amount of NIS 31 million, from the acquisition of fixed assets, which is recorded under cash flows from investment activities and under the item increase

Note 2:—Significant Accounting Policies (Continued)

in other long-term liabilities, which is recorded under cash flows from financing activities to significant non-cash activities (in 2010—an amount of NIS 41 million).

b) A reclassification in respect of revenues in advance from trade receivables to other payables, as of December 31, 2011, in the amount of NIS 18 million.

c) A reclassification (by way of the unification of items) in respect of liabilities in respect of bonds from the item bonds to the item loans from financial institutions and bonds (by way of the unification of items) as of December 31, 2011 in an amount of NIS 1,439 million. Similarly, a reclassification has been made in respect of the current maturities of the bonds to the item credit from financial institutions and current maturities of bonds (by way of the unification of the items) as of December 31, 2011 in an amount of NIS 61 million.

d) The reclassification of the balance of expenses payable to suppliers as of December 31, 2011 in an amount of NIS 13 million from other payables to trade payables.

e) The reclassification (by way of the unification of items) of the item rights to screen movies and programs to the item other long-term receivables, as of December 31, 2011 in the amount of NIS 69 million.

T. *Network set-up expenses*

Costs in connection with advanced cellular services on a generation 3.9 GSM network, which was launched by HOT Mobile in May 2012, which include other operating costs, administrative and general expenses and selling and marketing expenses. Network set-up expenses of NIS 11 million and NIS 1 million have been recorded under other expenses in the year ended December 31, 2012 and in the period from November 28, 2011 to December 31, 2011, respectively.

Note 3:—Significant Accounting Judgments, Estimates And Assumptions Used In The Preparation Of The Financial Statements

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

A. *Judgments*

– *The classification of leases*

In order to determine whether to classify a lease as a finance lease or an operating lease, the Company evaluates whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, the Company evaluates such criteria as the existence of a ''bargain'' purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

B. *Estimates and assumptions*

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

– *Legal claims*

In estimating the likelihood of the outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

Note 3:—Significant Accounting Judgments, Estimates And Assumptions Used In The Preparation Of The Financial Statements (Continued)

– *Impairment of goodwill*

The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows.

– *Deferred tax assets*

Deferred tax assets are recognized for unexploited tax losses carried forward and for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

– *Post-employment benefits*:

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and employee replacement rates. Uncertainty exists in respect of these estimates because the plans are long-term plans.

Note 4:—Disclosure Of New Standards In The Period Prior To Their Adoption

IAS 1—Presentation of Financial Statements

In June 2011, the IASB issued an amendment to IAS 1 in accordance with which the Amendment, items which may be reclassified to profit or loss in a future period (such as upon de-recognition or recovery) should be presented separately from items that will never be reclassified to profit or loss.

The Company will adopt the Amendment in its financial statements starting from the Amendment's effective date in 2013.

IAS 19 (Revised)—Employee Benefits

The IASB has published several changes to IAS 19, the principal amendments that are relevant to the Company are as follows:

- The re-measurement of the net defined benefit liability (formerly—actuarial gains and losses) are recognized in other comprehensive income and not in profit or loss.
- Income from the plan assets is recognized in profit or loss based on the discount rate used to measure the employee benefit liabilities.
- The distinction between short-term employee benefits and long-term employee benefits is based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

The Standard is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013, or thereafter. The impact of the implementation of the Standard on the Company's results is immaterial.

IAS 32—Financial Instruments: Presentation and IFRS 7—Financial Instruments: Disclosure

The IASB has issued certain amendments to IAS 32 (''the amendments to IAS 32'') regarding the offsetting of financial assets and liabilities. The amendments to IAS 32 clarify, among others, the meaning of ''currently has a legally enforceable right of set-off (hereinafter—''the right of set-off'').

Note 4:—Disclosure Of New Standards In The Period Prior To Their Adoption (Continued)

The IASB has also issued amendments to IFRS 7 (''the amendments to IFRS 7'') regarding the offsetting of financial assets and financial liabilities.

The amendments to IAS 32 are to be applied retrospectively commencing from the financial statements for annual periods beginning on January 1, 2014, or thereafter. Earlier application is permitted. The amendments to IFRS 7 are to be applied retrospectively commencing from the financial statements for periods beginning on January 1, 2013, or thereafter.

The Company assesses that the amendments to IAS 32 are not expected to have a material impact on its financial statements. The required disclosures pursuant to the amendments to IFRS 7 will be included in the Company's financial statements.

IFRS 9—Financial Instruments

1. The IASB has issued IFRS 9, ''Financial Instruments'', the first part of Phase 1 of a project to replace IAS 39, ''Financial Instruments: Recognition and Measurement''. IFRS 9 (''the Standard'') focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

   According to the Standard, all financial assets should be measured at fair value upon initial recognition. In subsequent periods, debt instruments should be measured at amortized cost only if both of the following conditions are met:

   - the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows that derive from them.
   - the contractual terms of the financial asset give rise on specified dates to cash flows for the Company, which are solely payments of principal and interest on the principal amount outstanding.

   Subsequent measurement of all other debt instruments and financial assets should be at fair value.

   Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income, in accordance with the Company's election for each and every instrument.

   If the equity instruments are held for trading, they must be measured at fair value through profit or loss.

   The Standard is effective commencing from January 1, 2015. Earlier application is permitted.

2. Amendments have been issued regarding de-recognition and regarding financial liabilities. In accordance with those amendments, the provisions of IAS 39 will continue to apply to de-recognition and to financial liabilities for which the fair value option has not been elected for.

   Pursuant to the amendments, the amount of the adjustment to the liability's fair value that is attributed to changes in credit risk is to be presented under other comprehensive income. All other fair value adjustments are to be presented in profit or loss.

   The amendments are effective commencing from January 1, 2015. Earlier application is permitted provided that the Company also adopts the provisions of the Standard regarding the classification and measurement of financial assets (the assets stage).

   IFRS 10, IFRS 11, IFRS 12, IFRS 13—Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities, Fair Value Measurement

   The IASB has issued four new Standards: IFRS 10, ''Consolidated Financial Statements'', IFRS 11, ''Joint Arrangements'', IFRS 12, ''Disclosure of Interests in Other Entities'' (''the new Standards'') and IFRS 13, ''Fair Value Measurement'', and amended two existing Standards, IAS 27R (Revised 2011), ''Separate Financial Statements'', and IAS 28R (Revised 2011), ''Investments in Associates and Joint Ventures''.

Note 4:—Disclosure Of New Standards In The Period Prior To Their Adoption (Continued)

The new Standards are to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter.

The new standards do not have a significant impact on the financial statements.

Note 5:—Cash and Cash Equivalents and Restricted Cash

A. *Cash and cash equivalents*

	As of December 31	
	2012	2011
	NIS in millions	
Cash available for immediate withdrawal	32	16

B. *Restricted cash*

	As of December 31	
	2012	2011
	NIS in millions	
Restricted cash	69	—

The cash is restricted for the purpose of collateralizing the Company's liabilities to financial institutions.

Note 6:—Trade Receivables

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Open debts	398	334(*)
Income receivable	82	36
Credit cards	151	84
Checks receivable	4	4
Deferral of financing of long-term trade receivables (see Note 9).	(2)	(3)
	633	455
Less—provision for doubtful debts	84	94
Trade receivables, net	549	361
Includes—interested parties	—	1

(*) Reclassified—see Note 2S.

B. Additional details:

1. See Note 21F in respect of the linkage terms of the trade receivables.
2. The debts of HOT Mobile's customers, which are in arrears, are interest bearing.
3. Impairment in the value of customers' debts is treated by means of the recording of a provision for doubtful debts.

Note 6:—Trade Receivables (Continued)

C. The following is the movement in the provision for doubtful debts

	Total
	NIS in Millions
Balance as of January 1, 2011	50
Addition in respect of initially consolidated company	38
Provision for the year	10
Recognition of bad debts	(4)
Balance as of December 31, 2011	94
Provision for the year	16
Recognition of bad debts	(26)
Balance as of December 31, 2012	84

The following is an analysis of the trade receivables (open debts, income receivable and the deferral of long-term customers' finance) in respect of which full impairment in value (provision for doubtful debts) has not been recognized, net trade receivables in accordance with the period of arrears in collection in relation to the reporting date:

	Customers whose settlement date has not yet been reached	30 – 90 days	90 days or more	Total
	NIS in millions			
As of December 31, 2012	328	14	52	394
As of December 31, 2011	205	20	48	273

Note 7:—Other Receivables

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Institutions	19	18
Prepaid expenses and income receivable	29	26
Income receivable in respect of financial derivatives	1	21
Others	13	14
	62	79

B. See Note 21F in respect of the linkage terms of the other receivables.

Note 8:—Inventory

Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Mobile telephones	25	26
Accessories	4	4
Spare parts	3	3
	32	33
Less—Provision for impairment in the value of inventory	(5)	(9)
	27	24

Note 9:—Long-Term Trade Receivables

The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its present value, as discounted using to an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables (which amounted to NIS 87 million as of December 31, 2012).

Note 10:—Investments in a Financial Asset Available for Sale

A. The value of the investment

	As of December 31	
	2012	2011
	NIS in millions	
Regular marketable shares	28	42

B. Additional details:

1. As of December 31, 2012, the Company, through HOT Net Internet Services Ltd. (formerly: HOT Investments and Financing Ltd.) (hereinafter—HOT Net), holds 1,459,926 regular shares in the company Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0.9% of Partner's share capital, which is engaged in the provision of cellular communications services, and whose shares are traded on stock exchanges in the United States, London and Israel.

   Partner's shares are subject to the Israeli restrictions, in accordance with the mobile radio-telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli party, as defined in the said license.

   During the reporting period, HOT Net received a dividend of NIS 2 million from Partner, which is recorded under other income (in 2011 and 2010 HOT Net received dividends of NIS 6 million and NIS 25 million, respectively, from Partner).

2. The Company presents its investment in Partner as an investment in an available for sale financial asset that is measured at fair value (less a discount, which in the opinion of the Company's management reflects the value of the Israel restriction, as aforesaid in section 1 above). Changes in the fair value, net of tax, are reflected under other comprehensive income, in a reserve for available for sale financial assets.

Note 11:—Investments in Consolidated Investee Companies (Held Directly by the Company)

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Details of the investments (directly held by the Company)		
Shares	1,218	1,142
Loans	3,417	3,105
	4,635	4,247
Goodwill recorded under investments	464	464

B. General information:

2012	Country of incorporation	The Company's rights in equity and in voting rights	Amounts made available to the consolidated company by the Company		The scale of the investment in the consolidated company
			Loans	Guarantees	
		%	NIS in Millions		
HOT Cable Telecommunication Systems Haifa-Hadera Ltd.[(*)]	Israel	100%	161	—	53
HOT—Net Internet Services Ltd.	Israel	100%	24	—	18
HOT Vision Ltd.	Israel	100%	85	—	86
Non-Stop Ventures Ltd.	Israel	50%	3	—	—
HOT Telecom Limited Partnership	Israel	100%	2,087	326	2,831
Drom Hasharon Telecom (1990) Ltd.[(*)]	Israel	100%	1	—	1
IsraCable Ltd.	Israel	100%	—	—	—
HOT T.L.M. Subscriber Television Ltd.	Israel	100%	105	—	97
HOT Edom Ltd.	Israel	100%	7	—	11
HOT—Eidan Cable Systems (Holdings) 1987 Ltd.[(*)]	Israel	100%	—	—	—
HOT Eidan Cable Systems in Israel Ltd.	Israel	100%	92	—	156
HOT Net Limited Partnership	Israel	100%	—	—	—
HOT Mobile Ltd	Israel	100%	852	—	1,383
Zira (Copyrights on the Internet) Ltd.	Israel	25%	—	—	—
			3,417	326	4,636

(*) Companies held 100% directly

Note 11:—Investments in Consolidated Investee Companies (Held Directly by the Company) (Continued)

2011	Country of incorporation	The Company's rights in equity and in voting rights	Amounts made available to the consolidated company by the Company		The scale of the investment in the consolidated company
			Loans	Guarantees	
		%	NIS in Millions		
HOT Cable Telecommunication Systems Haifa-Hadera Ltd.(*)	Israel	100%	117	—	8
HOT—Net Internet Services Ltd.	Israel	100%	14	—	31
HOT Properties Ltd.	Israel	100%	1	—	1
HOT Vision Ltd.	Israel	100%	60	—	62
Non-Stop Ventures Ltd.	Israel	50%	3	—	—
HOT Telecom Limited Partnership	Israel	100%	2,304	299	2,740
Drom Hasharon Telecom (1990) Ltd.(*)	Israel	100%	1	—	1
IsraCable Ltd.	Israel	100%	—	—	—
HOT T.L.M. Subscriber Television Ltd.	Israel	100%	106	—	95
HOT Edom Ltd.	Israel	100%	8	—	12
HOT—Eidan Cable Systems (Holdings) 1987 Ltd.(*)	Israel	100%	—	—	—
HOT Eidan Cable Systems in Israel Ltd.	Israel	100%	92	—	154
HOT Gold & Co.	Israel	100%	(28)	—	—
HOT Net Limited Partnership	Israel	100%	—	—	—
HOT Mobile Ltd	Israel	100%	427	—	1,143
			3,105	299	4,247

(*) Companies held 100% directly

C. The amounts of dividends from consolidated companies that the Company has received or which it is entitled to receive:

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
HOT—Net Internet Services Ltd.	—	2	28

Note 12:—Other Long-Term Receivable Balances

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Prepaid expenses in respect of costs relating to the re-organization of debt[1]	—	20
Deferred marketing expenses	2	9
Rights to screen movies and programs	107	69
Assets in respect of employee benefits[2]	4	5
Other	2	—
	115	103

[1] See Note 19A.

[2] Composition:

	As of December 31, 2012
	NIS in Millions
Liabilities in respect of a defined benefits plan	(10)
Fair value of the plan assets	15
	5
Less liability in respect of early retirement grants	(1)
Total assets, nets	4

Note 13:—Fixed Assets

A. *Composition and Movement*

For 2012

	Real Estate (Including Construction Plans)	Communications network Infrastructure	Cables network	Call-center (primarily electronic equipment)	Converters and Modems	Computers and ancillary equipment	Office furniture and equipment	Leasehold Improvements	Motor vehicles	Total
					NIS in Millions					
Cost										
Balance as of January 1, 2012	42	614	4,520	1,072	2,023	188	63	135	3	8,660
Additions in the year	38	273	288	128	344	30	4	23	1	1,129
Disposals in the year	—	—	(2)	—	(16)	—	—	—	—	(18)
Balance as of December 31, 2012	80	887	4,806	1,200	2,351	218	67	158	4	9,771
Accumulated depreciation										
Balance as of January 1, 2012	21	4	2,595	763	1,260	153	49	50	2	4,897
Additions in the year	1	65	334	96	218	23	3	14	1	755
Disposals in the year	—	—	(2)	—	(15)	—	—	—	—	(17)
Balance as of December 31, 2012	22	69	2,927	859	1,463	176	52	64	3	5,635
Net Book Value as of December 31, 2012	58	818	1,879	341	888	42	15	94	1	4,136

Note 13:—Fixed Assets (Continued)

For 2011

	Real Estate (Including Construction Plans)	Communications network Infrastructure	Cables network	Call-center (primarily electronic equipment)	Converters and Modems	Computers and ancillary equipment	Office furniture and equipment	Leasehold Improvements	Motor vehicles	Total
					NIS in Millions					
Cost										
Balance as of January 1, 2011	42	—	4,322	981	1,855	159	57	89	3	7,508
Additions in respect of a newly consolidated company	—	582	—	—	—	11	5	42	—	640
Additions in the year	—	32	198	91	178	18	1	4	—	522
Disposals in the year	—	—	—	—	(10)	—	—	—	—	(10)
Balance as of December 31, 2011	42	614	4,520	1,072	2,023	188	63	135	3	8,660
Accumulated depreciation										
Balance as of January 1, 2011	20	—	2,275	636	1,087	136	47	43	1	4,245
Additions in the year	1	4	320	127	182	17	2	7	1	661
Disposals in the year	—	—	—	—	(9)	—	—	—	—	(9)
Balance as of December 31, 2011	21	4	2,595	763	1,260	153	49	50	2	4,897
Net Book Value as of December 31, 2011	21	610	1,925	309	763	35	14	85	1	3,763

B. The real estate assets are assets that are owned by the Company, which are presented at non-discounted amounts.

C. Assets exist in the Group, which have been wholly depreciated and which are still operational. The Group is unable to estimate the original cost of the said assets, inter alia, because of the outline of the legal merger between the cables companies in 2006.

In 2012 The Group removed fully depreciated fixed assets not being used by the Company in an amount of NIS 18 million

D. See Note 23A(2) in respect of liabilities in respect of finance leasing.

E. See Note 25C in respect of liens.

F. See Note 25B(6) in respect of commitments for the purchase of fixed assets

Note 14:—Goodwill and Intangible Assets

Composition and movements

2012

	Software	Customer connections	Customer connections with a defined contract period	Brand name	Goodwill	Subscription purchase costs and prepaid marketing expenses	HOT Mobile licenses	Other	Total
				NIS in Millions					
Cost									
Balance as of January 1, 2012	315	762	86	63	1,264	221	47	11	2,769
Additions in the year	132	—	—	—	—	104	17	2	255
Balance as of December 31, 2012	447	762	86	63	1,264	325	64	13	3,024
Accumulated amortization									
Balance as of January 1, 2012	192	281	2	25	—	160	—	8	668
Amortization recognized in the course of the year	82	97	24	7	—	125	3	1	339
Balance as of December 31, 2012	274	378	26	32	—	285	3	9	1,007
Net book value as of December 31, 2012	173	384	60	31	1,264	40	61	4	2,017

2011

	Software	Customer connections	Customer connections with a defined contract period	Brand name	Goodwill	Subscription purchase costs	HOT Mobile licenses	Other	Total
				NIS in Millions					
Cost									
Balance as of January 1, 2011	212	594	—	55	1,057	146	—	12	2,076
Additions in respect of a newly consolidated company	32	168	86	8	207	49	46	—	596
Additions in the year	71	—	—	—	—	26	1	(1)	97
Balance as of December 31, 2011	315	762	86	63	1,264	221	47	11	2,769
Accumulated amortization									
Balance as of January 1, 2011	147	196	—	20	—	114	—	8	485
Amortization recognized in the course of the year	45	85	2	5	—	46	—	—	183
Balance as of December 31, 2011	192	281	2	25	—	160	—	8	668
Net book value as of December 31, 2011	123	481	84	38	1,264	61	47	3	2,101

Note 14:—Goodwill and Intangible Assets (Continued)

Amortization Expenses

Amortization expenses in respect of intangible assets are classified in profit or loss under depreciation and amortization expenses.

Impairment of goodwill and intangible assets with a definite useful life:

For the purposes of the testing for impairment in the value of goodwill and intangible assets with a definite lifetime, the goodwill, brand name and customer connections have been allocated to the business segments that form three cash-generating units, as follows:

- Telecom,
- Broadcasting.
- Cellular.

The following are the balances in the financial statements of the said intangible assets, which have been allocated to each of the cash-generating units:

	Telecom		Broadcasting		Cellular		Total	
	As of December 31							
	2012	2011	2012	2011	2012	2011	2012	2011
	NIS in millions							
Goodwill	474	474	583	583	207	207	1,264	1,264
Brand name	12	14	14	16	5	8	31	38
Customer connections	42	57	189	258	153	166	384	481
Customer connections with a defined contract period	—	—	—	—	60	84	60	84

In continuation of the approval of a transaction for a merger between the Company and a subsidiary company of the controlling interest, and the expert external report that the Company received for the purpose of testing the fairness of the offer price for the acquisition of the shares in the investee company by the Company's shareholders from the public at large, apart from the controlling interest, the Company reached the conclusion in the reporting period that the forecasts that were used by the expert in the work he did to assess the value of the Company and the value that was assessed in that work, constitute signs, within the definition of that term in IAS 36, requiring management to test for impairment in the value of the various cash generating units that include goodwill.

In the light of the evaluation that was received for each of the cash-generating units, the Company has reached the conclusion that the recoverable amount exceeds the carrying value of the various cash-generating units.

The fair value of the various cash-generating units has been determined based on the splitting of the overall value of the Company into the various units, which has been done, inter alia, by allocating the expected cash flows to the various cash-generating units. The real discount rate that has been used to discount the cash flows of the broadcasting segments and the Telecom segment is 9%, whereas the real discount rate that has been used to discount the cash flows of the cellular segment is 9.5%. The forecast cash flows for the period exceeding 5 years have been estimated using a fixed growth rate of 0.5% for the broadcasting segment and the Telecom segment and 2.5% for the cellular segment.

Note 14:—Goodwill and Intangible Assets (Continued)

The following are the main assumptions that were used in the measurement of the value of the various cash-generating units as of September 30, 2012:

The key assumptions used in the assessment of the value of the various units

The calculation of the value of the various units, is subject to changes in the following assumptions:

- Revenues.
- Operating expenses.
- Selling and marketing expenses.
- Administrative and general expenses.
- Investments.
- The weighted cost of capital.
- Long-term growth.

Revenues—The level of revenues is derived from changes in the number of subscribers and changes in the average revenues per subscriber over the length of the period of the forecast.

Operating expenses—The operating expenses (excluding depreciation expenses) are primarily fixed and semi-fixed, with the most pronounced expenses being content expenses, salary expenses and network maintenance expenses.

Selling and marketing expenses—Selling and marketing expenses primarily include salary expenses and advertising and marketing expenses, which have been estimated to be in the range of 6% - 7% of the revenues in the broadcasting segment, 4% of revenues in the Telecom segment and 6% - 12% of the revenues in the Cellular segment, for the purposes of the forecast.

Administrative and general expenses—Administrative and general expenses are primarily fixed.

The weighted cost of capital—The real post-tax discount rate that has been taken into account for the broadcasting segment and for the Telecom segment is 9%, reflecting a pre-tax discount rate of 12%. The discount rate for the broadcasting and Telecom segments reflects equity of approximately 14.2%, an interest rate of approximately 5% for the debt and a gearing rate of approximately 50% of the total assets.

The real post-tax discount rate that has been taken into account for the cellular segment is 9.5%, reflecting a pre-tax discount rate of 12.7%. The discount rate for the cellular segment reflects equity of approximately 15.2%, an interest rate of approximately 5% for the debt and a gearing rate of approximately 50% of the total assets.

Long-term growth—The long-term growth rate for the broadcasting segment and for the Telecom segment is 0.5% a year, whereas the long-term growth rate for the cellular segment is 2.5% a year.

Note 15:—Short-Term Credit from Financial institutions

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Short-term credit from financial institutions	—	295
Current maturities of long-term loans from financial and bonds (see Note 19)	125	141(*)
	125	436

(*) Reclassified, see Note 2S.

B. See Note 19 on the subject of a credit agreement with financial institutions and the financial covenants to which the Company is subject.

C. See Note 25C on the subject of collateral.

D. See Note 21F on the subject of the linkage terms of the credit from financial institutions.

Note 16:—Trade Payables

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Open debts	764	630
Accrued expenses in respect of suppliers	293	184(*)
Checks payable	5	—
	1,062	814
Including interested parties	1	21

(*) Reclassified, see Note 2S.

B. Debts to suppliers are non-interest bearing. The average number of days of credit from suppliers is 99 days (as of December 31, 2011—92 days).

C. See Note 21F on the subject of the linkage terms of the trade payables.

D. In 2012 the Company entered into a commitment with a supply under discounting transactions for suppliers, amounting to NIS 216 million (the balance of which was NIS 87 million as of December 31, 2012).

The balance of the debt has been classified as a supplier's balance under trade payables, in the light of the terms of the commitment.

Note 17:—Other Payables

	As of December 31	
	2012	2011
	NIS in millions	
Liabilities to employees and other liabilities in respect of salaries and wages[1]	102	122
Current maturities of other long-term liabilities[2]	209	79
Current maturities of revenues from installations	18	15
Interest payable	21	31
Royalties to the Israeli government	17	25
Income in advance from customers	7	7(*)
Accrued expenses	—	7
Forward contracts	14	—
Others	24	24
	412	310

(*) Reclassified, see Note 2S.

[1] Including the provision for vacation and recuperation pay.

[2] See Note 23.

See Note 21F on the subject of the linkage terms of other payables.

Note 18:—Provision for Legal Claims

	As of December 31	
	2012	2011
	NIS in millions	
Balance as of January 1	168	273
Amounts added in respect of an initially consolidated company	—	1
Amounts provided	9	17
Amounts paid	(108)	(4)
Amounts cancelled	(1)	(119)
Balance as of December 31	68	168

Note 19:—Loans from Financial institutions and Bonds

A. *Loans from financial institutions*

All of the loans from financial institutions were repaid on December 27, 2012. Financing expenses of NIS 26 million were recorded as a result of the repayment of the existing financing from the financial

Note 19:—Loans from Financial institutions and Bonds (Continued)

institutions, in respect of the writing off of re-organization costs attributed to the loan and early repayment commissions.

1. *Composition*

	Principal amount	Denoted interest rate	Effective interest rate	Balance	Balance less current maturities
	NIS in millions	%	%	NIS in millions	NIS in millions
As of December 31, 2011					
Loans from financial institutions (unlinked)	712	5.65-6.34	5.94	712	630
Less balance of credit discount expenses	(7)			(7)	(5)
	705			705	625

B. *Bonds*

Composition

	As of December 31	
	2012	2011
	NIS in millions	
Bonds	1,462	1,514
Less—balance of deferred issuance expenses	(11)	(14)
	1,451	1,500

1. *Repayment periods after the reporting date*:

	As of December 31	
	2012	2011
	NIS in millions	
In the first year	127	63
In the second year	127	126
In the third year	127	126
In the fourth year	127	126
In the fifth year and thereafter	954	1,073
Less balance of credit deferred issuance	(11)	(14)
	1,451	1,500

2. *Additional details in respect of the bonds*

Series	Date of the issue of the bonds	Par value	Interest and linkage terms	Repayment terms	Collateral	Rating
A	30/3/2011	NIS 825 million	Linked to the Consumer Prices Index as of 2/2011, bearing interest at a rate of 3.9% a year	13 semi-annual payments from 9/2012 to 30/9/2018	With no lien whatsoever	Midroog—A1 with a stable outlook
B	30/3/2011	NIS 675 million	Interest at a fixed rate of 6.9% a year	13 semi-annual payments from 9/2012 to 30/9/2018	With no lien whatsoever	Midroog—A1 with a stable outlook

Note 19:—Loans from Financial institutions and Bonds (Continued)

3. Financial covenants were set within the framework of the issue of the bonds, the breach of which could, under certain conditions, lead to the immediate repayment of the bonds, as follows:

   1. A debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters.

   2. A distribution of a dividend at a time at which the Company is exceeding a debt to EBITDA ratio of 5.5

   As of December 31, 2012 the Company was in compliance with all of the required financial covenants.

Note 20:—Loan from a Related party

A. On December 27 , 2012 the Company entered into a commitment under a loan agreement (hereinafter—The agreement) for the refinancing of the banking credit with credit to be executed through Altice Financing S.A. (hereinafter—Altice Financing), a company that is related to the controlling interest in the Company. The refinancing includes the issuance of a series of bonds to Altice by the Company with a par value of NIS 1.9 billion (hereinafter—the loan) (bearing interest at a rate of 6.3% a year), which was used by the Company in order to repay the banking credit that existed at that time, as well as the making available of a credit facility of up to NIS 320 million to the Company in accordance with a credit facility agreement.

B. *The main terms of the loan*

Repayment terms

The principal is to be repaid on one settlement date during the course of the year 2019.

1. The interest is to be paid twice a year, as from the year 2013.

2. In the event of the breach of the Company's commitments under the loan agreement, excess interest will be added to the interest chargeable at a rate of 2.75% a year on the arrears.

3. The loan can be made repayable immediately, subject to a period in which the faults can be repaired, for some of the events, if the following principle events occur: (1) the non-payment of interest, which continues for in excess of 30 days of the date set for its payment; (2) the non-execution of the payment of the principal on the date set for the payment; (3) a breach of the commitments of the subsidiary companies that have provided a guarantee, which has not been repaired within 30 days from the date on which notice is delivered by Altice Financing; (4) a breach of any of the other commitments by the Company or the subsidiary companies, which has not been repaired within 60 days of the date on which notification is delivered; (5) the making of any debt of the Group (and/or the entities in the Group) repayable immediately by a third party in a cumulative amount of 20 million Dollars or more; and also (6) the handing down of a judgment that requires the Group (and/or the entities in the Group) to pay a cumulative amount in excess of 20 million US Dollars, except for amounts that are covered by an insurance company, and the non-execution of a payment by the Company within a period of 60 days from the time of the judgment.

C. *Guarantees and collateral*

   The Company's subsidiary companies, except for HOT Mobile Ltd. and Non- Stop Ventures Ltd. are guarantors for the Company's liabilities to Altice Financing. As collateral for the liabilities of the Company and the subsidiary companies, all of the Group's assets have been charged in favor of Altice Financing under a floating charge and all of the shares in the subsidiary companies, which are guarantors, including the shares in HOT Mobile Ltd..

Note 20:—Loan from a Related party (Continued)

D. *Sundry commitments and restrictions*

1. In the event of a change in control in the Company, as defined in the agreement, Altice Financing will be entitled to make the loan and the accumulated interest repayable immediately, with the addition of a premium in an amount that is equivalent to 1% of the amount of the principal.
2. In the event of the sale of assets by the Company and/or its subsidiary companies, in a cumulative amount of 30 million US Dollars or more, and in so far as the receipts from the sale are not invested by the Company, the Company will be required to offer an early repayment of the loan, or part thereof, to Altice Financing, unless within a period of one year from the time of the sale of the assets the Company has made use of the receipts for the purpose of investment or in the event that a commitment has been made to invest the funds by the Company within a year and a half.
3. The Company and the Company's subsidiary companies will be required to comply with financial covenants, which include restrictions on the recruitment of additional debt, except for: (a) debt for any purpose, in an amount up to the higher of 75 million Dollars or 4% of the overall assets of the Company, its subsidiary companies and Altice Financing, as well as (b) bank debt, by way of credit facilities up to the higher of 80 million US Dollars and 4% of the total assets.

E. *The main terms of the credit facility agreement*

1. The objective of the credit facility is to finance the Group's operating activities.
2. Any amount that is drawn down on the credit facility will bear interest at an annual rate of Prime with the additional of a margin of 1.1% a year.
3. The interest will be paid twice a year until the full repayment of the credit facility.
4. The balance of the principal of the credit loans is to be repaid in 2017.
5. In the event of the breach of the commitments of the Company and/or the subsidiary companies that provide a guarantee, excess interest will be added to the interest on the credit facility.

Note 21:—Financial Instruments

A. *The classification of the financial assets and the financial liabilities*

The following is the classification of the financial assets and the financial liabilities in the balance sheet into groups of financial instruments in accordance with IAS 39:

	As of December 31	
	2012	2011
	NIS in millions	
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets classified as held for trade	2	25
Loans and receivables	665	476(*)
Available for sale financial asset	28	42
Financial liabilities		
Financial liabilities that are measured at amortized cost	4,864	3,790
Financial liabilities at fair value through profit or loss:		
Financial liabilities classified as held for trade	378	363

(*) Reclassified, see Note 2S.

B. *Financial risk factors*

The Group's operations expose it to various financial risks, such as market risks (foreign currency risk, Consumer Prices Index risk, interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on activity undertaken to minimize the possible negative impact on the Group's financial performance. The Group uses derivative financial instruments in order to hedge certain exposures to risk.

The risk management is performed by the Company's Chief Financial Officer, in accordance with policies that have been approved by the Board of Directors. The Company's Chief Financial Officer evaluates and hedges financial risks in cooperation with the Group's operating units. The Board of Directors provides principles for the overall management of the risks.

1. *Market Risks*

a) *Foreign Exchange rate risk*

The Group operates with various suppliers across the globe and it is exposed to foreign currency risk, which derived from the exposure to various currencies, primarily the US Dollar. Exchange rate risk derives from the Company's futures transactions and from liabilities that have been recognized and which are denoted in foreign currency, which is not the functional currency.

The Company's management acts to hedge some of the forecast US Dollar transactions (other than for the purposes of accounting hedging), based on budgetary data and the liabilities in the balance sheet.

b) *Consumer Prices Index Risk*

As of December 31, 2012 and 2011 the Group has bonds that have been issued and other long-term liabilities that are linked to the Israeli Consumer Prices Index.

The net amount of the financial instruments that are linked to the Consumer Prices Index and in respect of which the Group has an exposure to the Consumer Prices Index, consists of financial liabilities of NIS 1,195 million as of December 31, 2012 (December 31, 2011—NIS 1,210 million).

Note 21:—Financial Instruments (Continued)

c) *Interest risk*

As of December 31, 2011 the Group had an exposure to risk in respect of changes in the market interest rates in respect of long-term loans that had been received and which bore interest at a variable rate. The mix of the loans at variable and/or fixed interest rates is partially determined within the framework of the agreement with the financial institutions.

The following are details in respect of the type of interest on the Group's interest bearing financial instruments:

	As of December 31	
	2012	2011
	NIS in millions	
Fixed interest bearing instruments		
Financial liabilities	3,592	1,765
Variable interest bearing instruments		
Financial liabilities	—	1,008

d) *Price risk*

The Group has investments in financial instruments, which are marketable on the Stock Exchange, which are classified as an available for sale financial asset that is measured at fair value through other comprehensive income, in respect of which the Group is exposed to risk in respect of fluctuations in the price of the security, which is primarily determined on the basis of market prices on the Stock Exchange. The balance of these investments as recorded in the financial statements as of December 31, 2012 is NIS 28 million (December 31, 2011—NIS 42 million).

2. *Liquidity risk*

Within the framework of the Company's loan agreement and the terms of the bond that has been recruited by the Company (as described in Notes 19 and 20),the Company and HOT Mobile have financial covenants and various restrictions that they must comply with on a quarterly basis, and the breach of which, as defined in the agreement, could lead to the credit that has been made available by the lenders repayable immediately.

3. *Credit risk*

The Group has no significant concentrations of credit risk. Credit risk might arise from exposures in respect of commitments under a number of financial instruments with one body or as a result of a commitment with a number of groups of debtors having similar economic characteristics, whose ability to meet their commitments is expected to be affected similarly by changes in the economic or other conditions. Characteristics that might cause a concentration of risk include the significance of the activities in which the debtors are engaged, such as the branch in which they operate, the geographical region in which they operate and the level of their financial stability.

The Group provides services to its customer under credit terms of 40 days on average. The managements of the Group companies routinely evaluate the credit that has been extended to its customers, whilst checking their financial situation, however it does not demand collateral to secure those debts. The Company records a provision for doubtful debts, based on the factors that affect the credit risk pertaining to specific customers, past experience and other information.

The Group's income derives from customers in Israel. The Group routinely monitors customers' debts and a provision for doubtful debts is recorded in the financial statements, which in the

Note 21:—Financial Instruments (Continued)

Group's opinion, provides a fair reflection of the loss that is inherent in debts whose collection lies in doubt.

The Group does not have any significant concentrations of credit risk, because of the Group's policy, which ensures that the sales are mostly executed against standing orders or by means of credit cards.

C. *Liquidity Risk Concentration*

The following table presents the repayment times for the Group's financial liabilities, in accordance with the contractual terms, in non-discounted sums, including payments in respect of interest:

As of December 31, 2012

	Up to 3 Months	From 3 Months Up to One Year	From One to Two Years	From Two to 3 Years	From 3 to 4 Years	From 4 to 5 Years	Over 5 Years	Total
				NIS in millions				
Other payables	157	—	—	—	—	—	—	157
Trade payables	1,062	—	—	—	—	—	—	1,062
Short-term loan from a related party	70	—	—	—	—	—	—	70
Bonds (including current maturities)	90	129	193	187	180	174	858	1,811
Long-term loan from a related party	—	120	120	120	120	120	2,138	2,738
Other long-term liabilities (including current maturities[*]	23	200	263	50	26	9	712	1,283
	1,402	449	576	357	326	303	3,708	7,121

As of December 31, 2011

	Up to 3 Months	From 3 Months Up to One Year	From One to Two Years	From Two to 3 Years	From 3 to 4 Years	From 4 to 5 Years	Over 5 Years	Total
				NIS in millions				
Credit from financial institutions	295	—	—	—	—	—	—	295
Other payables	179	—	—	—	—	—	—	179
Trade payables	814	—	—	—	—	—	—	814
Long-term loans from financial institutions and bonds (including current maturities)	90	202	305	298	291	284	1,370	2,840
Other long-term liabilities (including current maturities)	23	66	232	152	117	77	40	707
	1,401	268	537	450	408	361	1,410	4,835

[*] Payments of NIS 136 million, NIS 179 million, NIS 21 million and NIS 6 million in the years 2013, 2014, 2015 and 2016, respectively, have been assumed in respect of conditional consideration, based on the most common scenarios that are inherent in the value of the estimated conditional consideration in respect of the acquisition of shares in HOT Mobile.

Note 21:—Financial Instruments (Continued)

D. *The fair value of financial instruments that are presented in the financial statements other than in accordance with their fair values*

	Balance		Fair Value	
	December 31		December 31	
	2012	2011	2012	2011
	NIS in Millions			
Financial Liabilities				
Long-term loans from financial institutions at variable interest rates (including current maturities)[(*)]	—	713	—	720
Bonds bearing fixed interest rates (including current maturities)	1,470	1,520	1,541	1,527
Liabilities to the government and other long-term liabilities at fixed interest rates (including current maturities)	220	245	227	247
Total	1,690	2,478	1,768	2,494

(*) The balance of long-term loans at variable interest rates as of December 31, 2011 included the amount of interest that has accumulated and had not yet been paid as of December 31, 2011 and has been recorded under other payables. The fair value of the long-term loans at variable interest rates in 2011 is based on a calculation of the present value of the cash flows after updating the fixed element of the variable interest rate that has been set.

The fair value is estimated based on recent market transactions between unrelated parties.

The balance of cash and cash equivalents, restricted cash, trade receivables, other receivables, long-term trade receivables, credit from financial institutions, trade payables, other payables and of a loan from a related party in the financial statements accords with or approximates to their fair value.

E. *Sensitivity tests in respect of changes in market factors:*

1. Sensitivity tests to changes in U.S dollar exchange rate:

	Gain (loss) from the change	
	Increase of 10% in the exchange rate	Decrease of 10% in the exchange rate
	NIS in millions	
2012	(20)	20
2011	22	(22)

2. Sensitivity tests to changes in the Consumer Prices Index:

	Gain (loss) from the change	
	Increase of 2.5% in the index	Decrease of 2.5% in the index
	NIS in millions	
2012	(30)	30
2011	(29)	29

Note 21:—Financial Instruments (Continued)

3. Sensitivity tests to changes in the market price of listed securities Exchange:

	Change in equity before tax	
	Increase of 20% in the security price	Decrease of 20% in the security price
	NIS in millions	
2012	6	(6)
2011	9	(9)

Sensitivity test and the principal working assumptions

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount outstanding as of the balance sheet date was outstanding throughout the entire reporting year.

The changes that have been selected as the relevant risk variables have been determined in accordance with management's assessment in respect of the changes in those risk variables that are reasonably possible.

The Company has performed sensitivity testing for the main market risk factors that could affect the reported operating results or the financial position. The sensitivity tests present the gain or loss and/or the change in equity (pre-tax) for each financial instrument in respect of the relevant risk variable that has been selected for it as of each reporting date. The testing of the risk factors was executed on the basis of the materiality of the exposure of the operating results or the financial position in respect of each risk factor, taking into account the functional currency and on the assumption that all the other variables remained fixed.

The Group has no exposure in respect of interest risk in respect of long-term loans at fixed interest rates.

In respect of long-term loans at variable interest rates, the sensitivity test for interest risk was only performed in respect of the variable interest component.

Note 21:—Financial Instruments (Continued)

G. *Linkage Conditions of Financial Balances*

	As of December 31, 2012				As of December 31, 2011			
	In foreign currency or linked thereto	Linked to the Consumer Prices Index	Unlinked	Total	In foreign currency or linked thereto	Linked to the Consumer Prices Index	Unlinked	Total
	NIS in million							
Assets								
Cash and cash equivalents	—	—	32	32	—	—	16	16
Restricted cash	69	—	—	69	—	—	—	—
Trade receivables	—	—	549	549	—	—	361(**)	361
Other receivables	—	19	12	31	25	19	8	52
Long-term receivables	2	—	—	2	—	—	—	—
Long-term trade receivables	—	—	82	82	—	—	85	85
Long-term loans to affiliated companies	—	3	—	3	—	3	—	3
	71	22	675	768	25	22	470	517
Liabilities								
Short-term credit from financial institutions	—	—	—	—	—	—	295	295
Trade payables	260	—	797	1,057	149	—	660(**)	809
Other payables	15	18	145	178	—	12	197(**)	209
Short-term loan from a related party	70	—	—	70	—	—	—	—
Loans from financial institutions and bonds(*)	—	809	642	1,451	—	831	1,374	2,205
Long-term loan from a related party	—	—	1,900	1,900	—	—	—	—
Other long-term liabilities(*)	81	390	115	586	59	389	187	635
	426	1,217	3,599	5,242	208	1,232	2,713	4,153

(*) Includes current maturities.

(**) Reclassified—see note 2S.

Note 22:—Assets and Liabilities in respect of Employee Benefits

Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits as aforesaid, is treated by the Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined deposit plans, in accordance with section 14 of the Severance Pay Law, in accordance with which the Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined deposit plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

Note 22:—Assets and Liabilities in respect of Employee Benefits (Continued)

1. *Expenses reflected in the statement of comprehensive income*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Current service cost	23	19	19
Interest expenses in respect of the benefit liabilities	5	5	5
Expected yield in the plan assets	(4)	(4)	(4)
Net actuarial loss (gain), which has been recognized in the year	3	12	(1)
Total expenses in respect of employee benefits	27	32	19
Actual yield on the plan assets	4	4	4
The expenses have been presented in profit or loss as follows:			
Other operating expenses	18	22	14
Selling and marketing expenses	5	5	2
Administrative and general expenses	3	4	2
Financing expenses	1	1	1
	27	32	19

2. *The plan assets (liabilities)*

	As of December 31	
	2012	2011
	NIS in millions	
Liabilities in respect of a defined benefit plan	(132)	(125)
Fair value of the plan assets	100	102
Total net liabilities	(32)	(23)

Cumulative amounts in respect of the value of the liabilities and in respect of the value of the rights in the plan assets.

3. *Changes in the present value of the liability in respect of a defined benefit plan*

	2012	2011
	NIS in millions	
Balance as of January 1	125	117
Interest expenses	5	5
Current service cost	23	19
Benefits paid	(16)	(20)
Transfer of employees to section 14	(8)	—
Net actuarial loss	3	4
Balance as of December 31	132	125

4. *The plan assets*

   a) *The plan assets*

   The Plan Assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

Note 22:—Assets and Liabilities in respect of Employee Benefits (Continued)

b) *The movement in the fair value of the plan assets*

	2012	2011
	NIS in millions	
Balance as of January 1	102	99
Expected yield	4	4
Deposits by the employer into the plan	20	19
Benefits paid	(18)	(12)
Transfer of employees to section 14	(8)	—
Net actuarial loss	—	(8)
Balance as of December 31	100	102

5. *The principal assumptions in the determination of the liability in respect of a defined benefit plan*

	2012	2011	2010
		%	
The discount rate	3.54	4.34	4.6
Expected yield on the plan assets	3.84	4.51	4.8
Expected rate of salary increases	2 - 4	2 - 4	2 - 4

Note 23:—Other Long-Term Liabilities

A. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Liability to the government (1)	85	127
Liabilities in respect of financing leases (2)	129	105
Liability in respect of a marketing contract (3)	—	25
Liability to the Ministry of Communications (4)	21	19
Payables in respect of an acquisition	342	341
Other trade payables	6	17
	583	634
Less current maturities	(209)	(79)
	374	555

(1) On December 31, 2012 and in accordance with the change in the Company management's forecast in respect of the change in the Group's future revenues, the liability to the government was reduced by NIS 4 million (year ended December 31, 2011—the liability was increased by NIS 4 million).

Note 23:—Other Long-Term Liabilities (Continued)

(2) (a) *The following is information on liability for financial lease according to maturity dates:*

	As of December 31, 2012			As of December 31, 2011		
	Minimum future lease payments	The interest component	Present value of the minimum lease payments	Minimum future lease payments	The interest component	Present value of the minimum lease payments
	NIS in millions					
In the first year	35	4	31	25	4	21
In the second year	33	3	30	25	3	22
In the third year	29	2	27	21	2	19
In the fourth year	20	2	18	20	2	18
In the fifth year	10	1	9	5	1	4
In the sixth year and thereafter	17	3	14	24	3	21
	144	15	129	120	15	105

(b) (1) The Group leases equipment under finance leasing agreements. The agreements enable the Group to purchase the leased equipment at an opportunity price. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2012 the net carrying value of the leased facilities and equipment is NIS 239 million (2011—NIS 191 million).

(2) HOT Mobile has finance leasing in an amount of NIS 16 million, in respect of investments in leasehold improvements in accordance with HOT Mobile's rental contract with the company ''Airport City'' Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2012 the net carrying value of the leasing improvements is NIS 15 million.

Note 23:—Other Long-Term Payables

(2) (b) (3) The Group has recorded finance leasing in respect of the Bezeq agreement that is described in Note 25B(4). As of December 31, 2012 the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of NIS 2 million, as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2011—NIS 3 million).

(3) HOT Mobile has paid fixed and variable amounts in respect of the recruitment of subscribers in respect of a marketing contract that it has with a marketer, which is in force until December 31, 2013.

Within the framework of the transaction for the acquisition of HOT Mobile, a surplus cost was attributed to a liability. In November 2012 HOT Mobile signed on an agreement for the cessation of the services and paid an agreed amount in respect of the cessation of the arrangement opposite the marketer. As a result, the Company recorded income of NIS 7 million under other income in respect of the write off of the full amount of the remaining surplus cost in respect of this contract.

(4) The fair value of the conditional payment to the Ministry of Communications in respect of the license is estimated at approximately NIS 21 million, based on an expert opinion in accordance with the scenarios for the accumulation of market share (see also Note 25C(4)(d)).

Note 24:—Taxes on Income

A. *The tax laws that apply to the Group*

The merger agreement for the cables companies was signed on May 8, 2006. Within the framework of this agreement it was stipulated that the determining date for the actual execution of the activity involved in the merger would be January 1, 2006. The merger transaction between the cable companies was, for all practical purposes, completed on December 31, 2006. Accordingly, all of the reports that are required under the law were furnished to the Income Tax Authority, according to which the determining date for the execution of the activity involved in the merger is also January 1, 2006, which is different from the time of the completion of the transaction, in other words, December 31, 2006, and their recording in the Company's accounting records.

In accordance with the opinion of the Company and of its legal advisers, the timing of the tax event as the result of the transfer of the assets in the merger is January 1, 2006, and this is despite the fact that for accounting purposes the activity was recorded on the date of the completion of the transaction, in other words, December 31, 2006.

In accordance with the outline of the transaction, amounts were allocated out of the cost of the acquisition, which amounted to NIS 4.4 billion, to intangible assets as well as the surplus accounting cost, which was attributed to fixed assets (hereinafter, together—the surplus costs).

In accordance with the provisions of the Income Tax Regulations (The depreciation rate for goodwill)—2003, it was stipulated that the annual depreciation rate for goodwill that was paid for will be 10%, and this is in accordance with the conditions as set in the said regulations.

In the opinion of the Company's management, the surplus costs can be amortized as an expense for tax purposes, and this is in accordance with the provisions of the Income Tax Ordinance and the regulations promulgated thereunder

As aforesaid, the implications of the merger from the tax perspective include various issues and aspects, in respect of the time of the merger and the manner and the pace of the depreciation of the assets and the liabilities that were acquired and/or transferred within the framework of the merger (including the cables infrastructure) for tax purposes. The Company's management, in consultation with its professional advisers, has recorded a provision within the framework of the deferred tax item, which in its assessment reflects the Company's exposure in respect of the timing of the allowance of the expenses in connection with the aforesaid issues.

B. *Income Tax (Inflationary Adjustments) Law, 1985*

According to the law, until 2007, the results for tax purposes in Israel were adjusted for the changes in the Israeli CPI.

In February 2008, the ''Knesset'' (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limited the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, except for certain adjustments for changes in the Israeli CPI in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. The amendment to the law includes, inter alia, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year) as from the year 2008.

C. *The rates that apply to the Company*

The tax rate for companies in Israel was 25% in the year 2010 and 24% in the year 2011.

A company is chargeable to taxation on real capital gains at the companies tax rate that applies in the year of the sale. It was determined as a temporary directive for the years 2006 - 2009 that on the sale of an asset other than a security that is traded on a Stock Exchange (except for unpaid goodwill in respect of it), which was purchased before January 1, 2003 and sold until December 31, 2009—companies tax at the rate determined in the Ordinance in the year of the sale will apply to the part of

Note 24:—Taxes on Income (Continued)

the real capital gain that is linearly attributed to the period up to December 31, 2002 and tax at a rate of 25% will apply to the part of the real capital gain that is linearly attributed to the period from January 1, 2003 and up to the time of the sale.

On December 5, 2011 the Knesset passed the Law for the Changing of the Burden of Taxation (Amendments to legislation)—2011(hereinafter—the Law). Within the framework of the Law, inter alia, as from the year 2012, the outline for the reduction of the tax rates for companies was cancelled. Furthermore, with the framework of the Law the tax rate for companies was raised to 25% as from the year 2012. In the light of the increasing of the tax rate for companies to 25%, as aforesaid, the tax rate on real capital gains and the tax rate on real betterments were also increased.

The impact of the said change on the deferred tax balances as of December 31, 2011 was to lead to a decrease of NIS 29 million in the deferred tax balances. The updating of the deferred tax balances lead to a reduction of NIS 29 million in the net income for the year 2011, which was reflected under taxes on income.

D. *Tax assessments*

In December 2009 and in the course of the year 2010, the Company received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately NIS 1.1 billion were adjusted for the company for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between the Company and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. When the said position of the Tax Authority in relation to the assessments that were issued to the Company in respect of the 2006, 2007 and 2008 tax years is received, the Company will be exposed to a demand for the payment of tax in a cumulative amount of NIS 120 million. Linkage differentials and interest will be added to this amount. Furthermore, the Company will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax year after 2008.

The Company's management, on the basis of its position in the self-assessments and based upon its professional advisers, has presented an objection against the tax assessments for the years 2006 - 2008 and in the opinion of the company's management and its professional advisers, the Company has well founded complaints against the claims made in the tax assessments for the years 2006 - 2008, which could significantly change the results of the tax assessments for those years and in any event, could also significantly change the implications deriving from them in respect of the tax years after 2008.

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006 - 2008 and within the framework of Stage A for the 2009 - 2010 tax years. A number of issued have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision has been recorded within the framework of the financial statements in respect of the Company's estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

The Company has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and HOT Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom

Note 24:—Taxes on Income (Continued)

Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year. The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

E. *Losses carried forward for tax purposes and other timing differences*

In accordance with the draft tax reports, which have not yet been presented, for the year 2012, the Company has losses for tax purposes that are available to be carried forward to future years, which in the assessment of the Company's management amounted to approximately NIS 0.8 billion as of December 31, 2012 (approximately NIS 1.1 billion as of December 31, 2011). Consolidated companies have losses for tax purposes, which in the assessment of the Company's management amounted to approximately NIS 0.3 billion as of that time (approximately NIS 0.3 billion as of December 31, 2011).

As of December 31, 2012 a deferred tax asset, which is estimated at NIS 104 million, has not been recorded in respect of timing differences in the Group in the absence of the expectation that it might be exploited in the foreseeable future (2011—NIS 137 million).

F. *Application for the approval of a structural change*

As part of the re-organization process, the Company is examining the possibility of merging all of its operations in the broadcasting field, some of which are conducted through the Company and some of which are conducted through consolidated companies, into a new company that has been set up for that purpose, HOT—Yeudit Ltd. (hereinafter—''HOT Yeudit''), which will hold, inter alia, HOT Telecom, in which the operations in the In-country fixed line communications operations are conducted, by way of the dissolution of some of the consolidated companies. The main point of this re-organization process is to simplify the structure whilst creating a convenient and efficient structure for the operations.

The said re-organization process is conditional, inter alia, on the completion of all of the activity that is required for the completion of the merger, including the receipt of a pre-ruling from the tax authorities for the execution of the re-organization with a tax exemption, in accordance with the provisions of Part 2E of the Income Tax Ordinance, the ratification of the process by the Company's Board of Directors and the receipt of approvals from additional regulatory bodies.

In December 2012 the Company presented the Israeli Tax Authority with an application for the execution of a structural change with effect as of December 31, 2012, in accordance with which all of the broadcasting operations, which are conducted in the Group will be merged and concentrated in HOT Yeudit. As of the date of the approval of the financial statements, not all of the approvals that are required for the execution of the structural change have been received yet.

Note 24:—Taxes on Income (Continued)

G. *Deferred taxes*

Composition:

	Balance sheet		Statement of income		
	As of December 31		For the year ended December 31		
	2012	2011	2012	2011	2010
	NIS in millions				
Deferred tax liabilities					
Depreciable fixed assets	(104)	(106)			
Intangible assets	(174)	(176)			
Available for sale investments presented at fair value (2)	(7)	(10)			
Others	(194)	(137)			
	(479)	(429)			
Deferred tax assets					
Depreciable fixed assets	137	172			
Losses carried forward for tax purposes	120	72			
Provision for doubtful debts	22	24			
Provision for lawsuits	6	11			
Other liabilities	33	44			
Employee benefits	14	12			
No deferred taxes recorded	(104)	(137)			
	228	198			
Deferred tax liabilities, net	(251)	(231)	17	100	(6)

(1) The Company records deferred tax assets up to the amount of the deferred tax liability, where there exists an enforceable legal right that enables the setting off of deferred tax assets from deferred tax liabilities and this too up to the level of the deferred tax liabilities in the event that it is expected that their exploitation will be similar or late than the pace of the exploitation of the deferred tax assets. In the event that timing of the reversal of the deferred tax liabilities is not certain, the Company does not record deferred tax assets in respect of timing differences, as aforesaid.

(2) Changes in the deferred taxes in respect of available for sale investments that are presented at fair value are reflected in the statement of other comprehensive income and not within the framework of tax expenses and income.

Taxes on income that relate to elements of other comprehensive income

The deferred tax amount that have been reflected in comprehensive income in respect of:

	2012	2011	2010
	NIS in millions		
Gain on available for sale financial assets	(3)	(13)	(1)

H. *Taxes on income recorded in profit or loss*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Current taxes (advance payments in respect of surplus expenses)	—	(1)	—
Deferred taxes	17	72	(6)
Adjustment of the deferred tax balances following the change in the tax rates	—	29	—
	17	100	(6)

Note 24:—Taxes on Income (Continued)

I. *Theoretical tax*

A reconciliation is presented below between the amount of the tax that would have applied were all of the income and expenses, the gains and the losses in profit or loss to have been chargeable to taxation at the statutory tax rate and the amount of the taxes on income that has been reflected in profit or loss:

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Income before taxes on income	95	441	100
The statutory tax rate	25%	24%	25%
Tax calculated at the statutory tax rate	24	106	25
Increase (decrease) in taxes as a result of:			
The updating of the deferred tax balances for changes in the tax rates	—	29	—
Disallowed expenses for tax purposes and exempt income	14	6	15
Losses for tax purposes and timing differences for which deferred taxes have not been reflected, net	(21)	(41)	(46)
Taxes on income (tax benefit)	17	100	(6)
The effective tax rate	18%	23%	—

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens

A. *Contingent liabilities*

1. Within the framework of the merger of the cable companies on December 31, 2006, the Company assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable companies in their former format), furthermore, it was determined that the Company would assume responsibility for any claim that might be filed in the interim period by any of the acquired companies after the time of the completion of the merger of the cable companies.

   In addition, the Company has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which the Company has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold might have had after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

2. Lawsuits have been filed and are pending against companies in the Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter—Lawsuits).

   In the opinion of the managements of the Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2012 in an amount of NIS 68 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

   In the opinion of the management of the Group companies the additional exposure in an amount of approximately NIS 6.7 billion (over and above the provisions that have been

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

recorded in these financial statements), as of December 31, 2012 in respect of lawsuits that have been filed against companies in the Group on various issues is as follows:

a) An amount of approximately NIS 1.8 billion in respect of claims, the chances of which, in the assessment of the Company's management, in reliance on opinions from its legal advisors, do not exceed 50%.

b) An amount of approximately NIS 3.6 billion in respect of claims, which it is not possible to evaluate at this stage, and which consist primarily of applications for approval as class actions that were filed shortly before the date of the financial statements.

c) An amount of approximately NIS 1.3 billion in respect of claims, where the chances of there being accepted in the assessment of the Company's management, in reliance on the opinion of its legal advisers, exceed 50%.

The following table is an abbreviated summary of the Group's contingent liabilities, which are outstanding as of December 31, 2012, according to groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2012	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2012	Provision recorded in the financial statements as of December 31, 2011	Updating of the expense (income) in the reporting period
			NIS in Millions		
Customers	6,023	3,005	10	8	5
Claims filed after the balance sheet date	334	334	—	—	—
Copyright	81	—	54	158	2
Suppliers	36	—	3	2	1
Employees	5	—	1	—	—
The merger transaction	249	249	—	—	—
Total	**6,728**	**3,588**	**68**	**168**	**8**

B. *Commitments*

a) The Company is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that the Company, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2.5% in 2007, 2% in 2008, 1.5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalties rate for the years 2011 and 2012 stood at 1.75%.

In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalties rate that is paid by the Company, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

b) In July 2001 the cables companies, including the Company, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure or which touch upon the cables infrastructure (as defined in the agreement) for a period of 12 years. It was also stipulated in the agreement that in so far as the Company has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to the Company as a merged company.

1. *Royalties to the Ministry of Communications and other payments to the government*

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies)—1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).

d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.

2. *Other royalties*

a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million respectively.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section—''The draft law'') was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, the Company is unable to assess what the impact of the said legislation will be on its business results, of it is passed.

3. *A commitment to invest in original productions*

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, the Company is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2010, 2011 and 2012 the Company complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed the Company that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to record broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that the Company will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. *Agreement to deploy and maintain a cables network*

On January 1, 1990 and on May 1, 1989 Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly,

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.

A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of the Bezeq company's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

The total of the expenses recorded in the Company's accounting records for the network services payable to the Bezeq company in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

5. *Commitments to lease assets*

The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

	NIS in millions
2013	186
2014	148
2015	120
2016	86
2017 and thereafter	304
	844

6. On July 19, 2011 the Company's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The cost of the upgrading of the infrastructure, as aforesaid, which includes the cost of the purchase of the equipment and the services, for a period until the end of the year 2016, is estimated at NIS 650 million by the Company , at this stage (over the length of the said period). The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable the company to deal with increased demand for traffic capacity on the network in the future, which is expected to arrive as a result of the increased use of applications that require a considerable band width.

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

7. On May 27, 2010 a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter—the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

   Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

   In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

   As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the manner of the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

   In December 2011 the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

8. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

   The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party,60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

   The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

   The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

9. Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.

10. On June 16, 2011 HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which is HOT Mobile required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of 52 million Dollars, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement. The overall consideration in the agreement for all of the services up to the year 2017 is approximately 120 million US Dollars, according to HOT Mobile's assessment.

On January 31, 2013, an addition to the agreement was signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with the Company acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

11. On October 27, 2011 an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter—Comverse), in accordance with which Comverse will supply the Company with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter—The system) and Comverse will also supply the Company with hardware, software and services, including the operation and maintenance of the system. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addition to this agreement, in accordance with which Comverse is committed to allocating seven additional employees to be available for the project (instead of the manpower that the Company had to make available for the project), for a payment of 500,000 US Dollars.

12. On October 6, 2005, HOT Mobile won a tender for the provision of Cellular services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new cellular operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139.3 million, NIS 112.4 million and NIS 83.7 million, respectively, which constituted approximately 13.5%, 12.5% and 9.8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

13. On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter—HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter—The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. *Marketing and distribution (for iDEN technology products and services)*

    In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which HOT Mobile operates across the country, a national distribution channel that works ''door to door'' using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek Group's filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile's products and services in that sector.

    In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

    Commitment with an external marketer

    As aforesaid, in 2012, one of the distribution channels for the Group's products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, though the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.

    The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM's results in respect of the sales of the iDEN products.

    The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.

    Marketing and distribution (for UMTS technology products and services)

    The marketing and distribution of UMTS products is performed by means of HOT Mobile's and the Company's marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.

15. *Capitalized leasing rights on land from the Israel Lands Authority*

    Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2K. The lease periods end in the years 2021-2045.

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

16. *Commitments between companies in the Group*

a) There is a mutual agreement for the provision of services between HOT Telecom and the Company, which has been in force since January 1, 2007. Within the framework of which the Company has undertaken to supply HOT Telecom with services in various fields, including the fields of purchasing and marketing. The said services are provided primarily by the employees of the Company and of HOT Telecom, as the case may be. It was stipulated that the consideration for the provision of the services, to which each party will be entitled, will be an amount that is equivalent to the cost of the provision of the services, which will be determined by the parties by agreement, from time to time.

In May 2008 the Company's Board of Directors and HOT Telecom's Board of Directors approved the updating of the mutual charging mechanism between the Company and HOT Telecom retrospectively as from January 1, 2008.

b) As from January 1, 2007, there has been an agreement in force between HOT Telecom and the Company, in accordance with which HOT Telecom will provide the Company with cable broadcasting distribution services and broadcasting center services.

The agreement cannot be cancelled unilaterally by one of the parties but rather solely by a final judgment by an authorized court, or if a party to the agreement has received approval from the Council or the Ministry of Communications that the other party has ceased to provide its services in accordance with the license. Despite the aforesaid, the Company is entitled to announce the termination of this agreement at the end of a period of ten years from the date of its signing, or at the end of the period of validity of the broadcasting license, or at the end of any extension period of the broadcasting license. The services will be performed by employees of HOT Telecom.

Under the force of the national operator license, HOT Telecom has been given the exclusive right to use the cables network, to operate it, to develop it, to improve it and to execute any activity on it in accordance with the national operator license and in accordance with the law. As from January 1, 2007 HOT Telecom has been charging the Company for the services in accordance with the amounts that are determined by the parties agreement, based on the formula that was set in a decision by the Minister of Communications on August 23, 2007 on the issue of the transmission fee to be paid by a special license holder to HOT Telecom in respect of the transmission of its broadcasts on HOT Telecom's infrastructure.

During the course of the years 2007 and 2009, updated were approved of the mechanism for the transmission fees between the Company and HOT Telecom such that the consideration that will be paid for the services that are supplied in connection with the analogical channels, is to be reduced in accordance with the average number of analogical subscribers in that calendar year, except for the year 2009 in which a maximum discount of 7% would be given, such that as from the year 2012 a discount will be given in accordance with the number of channels that are transmitted on the partnership's infrastructure in accordance with a graded scale.

During the course of the years 2012, 2011 and 2010 HOT Telecom charged the Company the amounts of NIS 921 million, NIS 987 million and NIS 974 million, respectively.

c) On July 17 and 19, 2011 the Company's Audit Committee and Board of Directors, respectively, approved a commitment by the Company under a transaction for the supply of infrastructure services with HOT Mobile. In accordance with the transaction that was approved, HOT Telecom will connect HOT Mobile cellular communications sites to its communications centers, by means of the cables infrastructure. The transaction that was approved is for the connection of at least 550 communications sites (the completion of the connection of which is expected to take place by the end of 2014), with the consideration in

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

respect of each site being determined in accordance with the technical requirements and the band width that is required. The commitment in connection with each site is for a period of ten years.

In accordance with the Company's assessment, at this stage, the overall amount of the consideration that is expected for the said transaction could reach NIS 250 million, and will not be less than NIS 150 million. In 2012 HOT Telecom recorded income of NIS 7 million in respect of this agreement.

d) The Company is entitled to receive management fees at a rate of 1% of HOT Mobile annual income.

e) On April 4, 2012 an agreement was signed between HOT Mobile and the Company and HOT Telecom, in accordance with which the Company and HOT Telecom will market, non-exclusively, HOT Mobile's services and products, as defined in the agreement, to private sector customers, by means of sales stands, telephone call centers and sales representatives.

The agreement is in force for a period of 12 months (hereinafter—the initial period), with the possibility of an extension for additional periods of 12 months, each time, where following the initial period each party will be entitled to terminate the agreement for any reason, by giving 90 days' notice in advance. HOT Mobile will bear all of the marketing costs, as defined in the agreement.

C. *Guarantees and liens*

1. As collateral for the Company's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

   a) A floating charge on the Company's assets.

   b) A fixed charge on the shares in the subsidiary companies.

   c) HOT Telecom has given a charge on some of its assets.

   The said charges are in an unlimited amount, vis-à-vis the Company, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.

2. As collateral for the commitments of the Company, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the chargeable assets and the rights of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group

3. As collateral for the Company's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:

   a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

   b) Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.

   c) A bank guarantee in an amount of 2 million Dollars to the Director in respect of the Company's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.

Note 25:—Contingent Liabilities, Commitments, Guarantees and Liens (Continued)

d) A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.

In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.

In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which the company waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.

On November 28, 2011, HOT Mobile and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for the Company's commitments vis-à-vis the Ministry of Communications within the context of the Company's win in a frequencies tender for the setting up of a third generation cellular network (UMTS).

5. The Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.

6. *Guarantees to HOT Telecom*

a) The Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

b) The Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

7. There exist mutual guarantees between the Company and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group's liabilities to those financial institutions.

Note 26:—Equity

A. *The Composition of the share capital*

	December 31, 2012		December 31, 2011	
	Registered	Issued and paid-up	Registered	Issued and paid-up
Regular shares of par value NIS 1 each	150,000,000	77,928,215	150,000,000	77,672,126

Note 26:—Equity (Continued)

B. *Movements in the Share capital*

	Par value NIS 1
	Number of shares
Balance as of January 1, 2011	76,149,214
Private allocation (D)	1,521,883
Exercise of options for employees into shares	1,029
Balance as of December 31, 2011	77,672,126
Exercise of options for employees into shares	256,089
Balance as of December 31, 2012	77,928,215

C. On December 27, 2012, a transaction was completed, within the framework of which Cool, the controlling interest in the Company, purchased all of the public's holdings in the Company, for consideration of NIS 42 a share, such that on the completion of the said transaction the Company became a private company that is wholly owned by Cool (directly and through a wholly owned company). As from that time, the Company's shares have been delisted from trading on the Stock Exchange.

Two lawsuits and an application for the approval of the lawsuits as class actions were received in November 2012 against Cool, companies in the Fishman Group, Yidioth Communications Ltd., directors in the Company and the Company. The plaintiffs allege that the distribution of the consideration for the merger transactions, between the Company and subsidiary companies belonging to the controlling interest in the Company was purportedly prejudicial to the shareholders from among the public and that it purportedly afforded ''an excess consideration'' of NIS 278 million to the companies in the Fishman Group and Yidioth, at the expense of the shareholders from among the public.

The Company is studying the details of the claims and the applications for approval as class actions and has not yet presented its response to the applications for approval as class actions.

D. On June 19, 2012, the Company completed a self-purchase offer, within the framework of which it purchased 4,842,105 regular shares in the Company from the public, which at the time of the purchase offer constituted 6.23% of the issued and paid up share capital and of the voting rights in the Company (5.95% at full dilution), at a price of NIS 38 per share and for an overall consideration of approximately NIS 184 million.

E. *The allocation of options to senior employees*

On December 31, 2012, following the delisting of the Company's shares from trading on the Tel-Aviv Stock Exchange in Israel, and following the exercise of options by the Company's employees and office holders, as of the balance sheet date there are no options that have not yet been exercised.

As a result of the delisting of the Company's shares from trading, and in accordance with the agreements that had been signed with the Company's employees and office holders, in which, within the framework of the allocation agreements, it was determined that in the event that the Company's shares are delisted from trading for any reason whatsoever, the offerees will be entitled to exercise all of the vested options within 90 days from the time of the delisting from trading, so long as they had become shareholders immediately before the delisting from trading. As of March 25, 2013 the options expired, whether or not they have vested.

As a result of the aforesaid, an amount of NIS 22 million has been reflected in the financial statements, under other income, in respect of options that were recorded in the past, in respect of option warrants that did not vest and which have expired as a result of the aforesaid.

Note 26:—Equity (Continued)

The following summary table contains details of the option warrants that were granted in the past and which have been exercised and/or cancelled:

	Offeree	Time of the grant	Number of option warrants after any updates	The tax path	Additional payment on exercise(*)	The vesting date after any updates	The value of the grant after any updates	The number of option warrants that have been exercised	The number of option warrants that have been cancelled/ expired
1.	The Company's CEO	1/12/2008	1,064,664	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 38.5 per option warrant	1/12/10 — 1/3 1/12/11 — 1/3 1/12/12 — 1/3	NIS 7.9 million	1,064,664	—
2.	Office holders in the Company—8 employees	23/12/10	786,391	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 40 per option warrant	3-4 different vesting dates over the period of the employment of the office holders and employees	NIS 15 million	323,692	462,699
3.	Office holders in the Company—48 employees	9/3/2011	600,000	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 40 per option warrant	3-4 different vesting dates over the period of the employment of the office holders and employees	NIS 11.6 million	265,625	334,375
4.	The Chairman of the Company's Board of Directors	1/5/2011	1,165,066	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 65 per option warrant	4 vesting dates—one, two, three and four years from the time of the grant	NIS 32.8 million	—	1,165,066
5.	Office holders in the Company—4 employees	24/5/11	47,500	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 45 for one offeree and NIS 60 for three offerees	4 different vesting dates over the period of the employment of the office holders and employees	NIS 1.5 million	6,250	41,250
6.	Office holders in the Company—7 employees	19/12/11	206,650	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 65 per option warrant	4 different vesting dates over the period of the employment of the office holders and employees	NIS 3.7 million	—	206,650
7.	Office holders in the Company—2 employees	13/3/12	182,697	Section 102 of the Income Tax Ordinance on the earned income path, exercisable under the cashless method	NIS 65 per option warrant	4 vesting dates—one, two, three and four years from the time of the grant	NIS 1.1 million	—	182,697
	Total		**4,052,968**					**1,660,231**	**2,392,737**

(*) The exercise price is in accordance with the agreement and is stated before adjustments made in respect of the distribution of a dividend.

F. *Expenses (income) recognized in the financial statements*

The expenses (income) that have (has) been recognized in the Company's financial statements in respect of services that have been received from its employees are presented in the following table:

	For the year ended December 31		
	2012	2011	2010
	NIS millions		
Share based payment plans, which are cleared using capital instruments(*)	(5)	22	8

(*) Includes (income) expenses in respect of options to interested parties in the amounts of NIS (3) million, NIS 17 million and NIS 8 million in the years ended December 31, 2012, 2011 and 2010, respectively.

Note 26:—Equity (Continued)

G. *Movements in the course of the year*

The following table contains the number of options for shares, their weighted average exercise price and the changes made in the options plan for employees during the course of the current year:

	For the year ended December 31, 2012		For the year ended December 31, 2011		For the year ended December 31, 2010	
	Number of options	Weighted average exercise price (NIS)	Number of options	Weighted average exercise price (NIS)	Number of options	Weighted average exercise price (NIS)
Options for shares at the beginning of the year	3,487,573	49.57	1,703,056	39.18	1,173,202	38.35
Options for shares that were granted during the year	182,697	60.3	2,006,714	57.31	786,391	40.00
Options for shares that were forfeited during the year	(2,163,164)	53.66	(220,197)	40.00	—	—
Options for shares that were exercised during the year	(1,507,106)	34.41	(2,000)	31.32	(256,537)	37.85
Options for shares at the end of the year	—	—	3,487,573	49.57	1,703,056	39.18
Options for shares that are exercisable at the end of the year	—	—	710,700	38.82	206,888	38.43

H. On January 31, 2012 the Company's Board of Directors approved the distribution of a dividend in an overall amount of NIS 365 million, reflecting a dividend of NIS 4.699 a share, with the determining date for the dividend being set for February 7, 2012. The distribution was approved by the Board of Directors and no court approval is required, The distribution of the dividend was executed on February 19, 2012.

Note 27:—Additional Information on Components of the Statement of Income

A. *Revenues*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Broadcasting	2,275	2,299	2,226
Cellular	855	66	—
In Country landline telephony	416	420	507
Broadband internet access services	572	519	465
ISP services	11	—	—
Transmission services	1,020	1,065	1,038
	5,149	4,369	4,236
Inter-segmental revenues	(957)	(995)	(982)
	4,192	3,374	3,254

Note 27:—Additional Information on Components of the Statement of Income (Continued)

B. *Other operating expenses*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Salaries and social benefits	480	426	437
Royalties and other payments to the Israeli government	56	56	35
Programs and other broadcasts	667	639	662
Expenses involved in completing a call	326	118	218
Subscriber, infrastructure and network maintenance	441	251	237
Rent and office maintenance	75	51	47
External service center	28	15	9
Device purchase costs	116	—	—
Others	72	65	54
	2,261	1,621	1,699

C. *Selling, marketing, administrative and general expenses*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Selling and marketing expenses			
Salaries and social benefits	166	91	78
Advertising and sales promotion	85	96	94
Rent and office maintenance	18	15	15
Marketers' commissions	16	18	5
Sales and external retention call center	6	11	10
Others	9	11	—
	300	242	202
Administrative and general expenses			
Salaries and social benefits	78	71	62
Rent and office maintenance	16	8	9
Professional consultancy and legal fees	29	18	18
Expenses in respect of bad and doubtful debts	11	4	9
Staff recruitment	6	12	8
Staff welfare	13	10	9
Others	10	7	10
	163	130	125

Note 27:—Additional Information on Components of the Statement of Income (Continued)

D. *Financing income (expenses)*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Financing income			
Change in fair value of financial derivatives, net	—	26	—
Refund of commissions from subscribers	4	3	4
Exchange differences, net	3	—	3
Other financing income	11	2	3
	18	31	10
Financing expenses			
Financing expenses on short-term credit	10	—	9
Changes in the fair value of financial derivatives, net	10	—	20
Financing expenses in respect of bank charges and credit card company commissions	70	77	32
Financing expenses on long-term loans	87	46	109
Financing expenses on bonds	93	75	—
Exchange differences, net	—	6	—
Other financing expenses	50	26	31
	320	230	201

E. *Other expenses (income), net and network set-up expenses (see Note 2T)*

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
Updating of liabilities to the government and others	(4)	4	13
Updating of provision for contingencies and for the settlement of claims	4	(110)	167
Dividends received	(2)	(6)	(25)
Updating of liability for conditional consideration for the acquisition of HOT Mobile	(17)	—	—
Income in respect of share-based payment that expired/ was cancelled and which has not yet vested	(22)	—	—
Transaction costs in respect of the purchase of shares in HOT Mobile	—	7	—
Others	18	2	(1)
	(23)	(103)	154

Note 28:—Operating Segments

A. *General*

The operating segments have been determined based on information examined by the Chief Operational Decision Maker (CODM) for the purposes of decision making in respect of the allocation of resources and the evaluation of performance. Accordingly, for management purposes, the Group is made up of operating segments, based on the services provided by three principal operating segments, as follows:

The telecom segment — In this segment the Company provides, via HOT Telecom, with In country landline telecommunications services.

The broadcasting segment — In this segment the Company and its investee companies provide multi-channel cable television broadcasts to subscribers.

The cellular segment — In this segment the Company provides, via HOT Mobile, with telephony, wireless connection (PPT) and data transfer services.

The accounting policies of the operating segments are: identical to those presented in Note 2.

The segment results that are reported to the Chief Operational Decision Maker include items that relate directly to the segment and items that can reasonably be attributed to it. Unallocated items, financing costs (including financing income and expenses) and taxes on income are managed on a group basis.

Segmental assets do not include deferred taxes and cash and cash equivalents since those assets are managed on a Group basis

The segmental liabilities do not include deferred taxes and short-term and long-term credit, including interest payable, since those liabilities are managed on a Group basis.

Capital investments include purchases of fixed and intangible assets.

Note 28:—Operating Segments (Continued)

See Note 25B(16) on the subject of the mechanism by which HOT Telecom charges the Company for the use of the cable infrastructure, terminal equipment and the other operational fixed assets that are held by HOT Telecom.

	For the year ended December 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income(*)	Total Consolidated
	NIS in millions					
External revenues	855	2,008	2,275	11	(957)	4,192
Segment earnings (losses)	(202)	490	105	(12)	(2)	379
Other unattributed revenues						18
Operating income						397
Financing expenses, net						(302)
Income before taxes on income						95

(*) Revenues are attributed primarily to the telecom segment.

	As of December 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental	Total consolidated
	NIS in millions					
Additional Information						
Segmental assets	1,834	3,781	1,366	9	(2)	6,988
Assets not allocated to segments						190
Total consolidated assets						7,178
Segment liabilities	448	564	601	9		1,622
Liabilities not allocated to segments						4,111
Total consolidated liabilities						5,733
Capital investments	415	785	182	4	(2)	1,384
Depreciation and amortization	154	681	258	1	—	1,094

	For the year ended December 31, 2011					
	(**)Cellular	Telecom	Broadcasting	Other	Inter-segmental income(*)	Total Consolidated
	NIS in millions					
External revenues	66	2,004	2,299	—	(995)	3,374
Segment earnings (losses)	(7)	496	153	(8)	—	634
Other unattributed revenues						6
Operating income						640
Financing expenses, net						(199)
Income before taxes on income						441

(*) Revenues attributed primarily to the telecom segment.

(**) As from November 28, 2011.

Note 28:—Operating Segments (Continued)

	As of December 31, 2011				
	Cellular	Telecom	Broadcasting	Other	Total consolidated
			NIS in millions		
Additional Information					
Segmental assets	1,572	3,654	1,236	4	6,466
Assets not allocated to segments					179
Total consolidated assets					6,645
Segment liabilities	290	530	717	—	1,537
Liabilities not allocated to segments					3,177
Total consolidated liabilities					4,714
Capital investments	39	481	98	1	619
Depreciation and amortization	13	656	174	1	844

	For the year ended December 31, 2010				
	Telecom	Broadcasting	Other	Inter-segmental income	Total consolidated
			NIS in millions		
External revenues	2,010	2,226	—	(982)(*)	3,254
Segment earnings (losses)	438	(171)	(1)	—	266
Other unattributed revenues					25
Operating profit					291
Net financing expenses					(191)
Profit before taxes on income					100

(*) Revenues attributed primarily to the telecom segment.

	As of December 31, 2010			
	Telecom	Broadcasting	Other	Total consolidated
		NIS in millions		
Additional Information				
Segmental assets	3,837	1,298	3	5,138
Assets not allocated to segments				251
Total consolidated assets				5,389
Segment liabilities	467	792	—	1,259
Liabilities not allocated to segments				2,609
Total consolidated liabilities				3,868
Capital investments	636	74	3	713
Depreciation and amortization	621	162	—	783

Note 29:—Balances and Transactions with Interested Parties and Related Parties

A. *Balances with interested parties and related parties*

	As of December 31	
	2012	2011
	NIS in millions	
Trade receivables	—	1
Trade payables and accrued expenses in respect of suppliers	1	21
Short-term loan from a related party	70	—
Other payables	1	—
Long-term loan from a related party	1,900	—
	1,972	22

	For the year ended December 31		
	2012	2011	2010
	NIS in millions		
B. *Salaries and profit participation grants*			
1. *To directors who are not employed by the Company*			
Payments in NIS millions	1	2	2
Number of directors	7	11	12
2. *To interested parties who are employed by the Company*			
Short-term benefits	8	8	3
Post-employment benefits	1	—	—
Other benefits for capital instruments	(3)	13	4
Number of recipients	2	2	1
C. *Revenues*	1	2	3
D. *Expenses*			
Purchases and receipt of services from suppliers	55	72	75
Professional services	3	2	2
E. *Financing expenses*	1	—	—
F. *Benefits for key management personnel*			
Short-term benefits	4	5	12
Other benefits for capital instruments	—	4	—

G. *An insignificant transactions*

On August 30, 2010 the Company's Board of Directors decided to adopt guidelines and principles for the classification of a transaction by the Company or by its affiliated company with an interested party as well as transaction by the Company with a controlling interest therein or with a person in whom a controlling interest has a personal interest (hereinafter—an interested party transaction) as an insignificant transaction, within the definition of that term in Regulation 41 of the Securities Regulations (Annual financial statements)—2010.

Note 29:—Balances and Transactions with Interested Parties and Related Parties (Continued)

These principles and guidelines are also to be used for the testing of the extent of the disclosure in the periodic report and in a prospectus (including the shelf offer reports) in respect of a transaction with the controlling interest or in which the controlling interest has a personal interest in its approval, as determined in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports)—1970 (hereinafter—the reporting regulations) and in Regulation 54 of the Securities Regulations (Details in a Prospectus and in a Draft Prospectus—Structure and Form)—1969 as well as for the testing of the need to deliver an immediate report in respect of such a transactions, as determined in Regulation 37(A)(6) of the reporting regulations.

On February 27, 2011 the Company's Board of Directors decided to update the guidelines and principles for the classification of a transaction with an interested party as an insignificant transaction.

Note 30:—Material Events Post Balance Sheet Date Events

A. See Note 25A(2) for the amounts of class actions filed after the balance sheet date.

B. On January 9, 2013, Ms. Hendler informed the Company of her resignation from the position of Chairperson of the company's Board of Directors, with effect as from January 31, 2013, in the light of the Company having become a private company and the delisting of the Company's shares from trading at the end of 2012. On March 19, 2013 and on March 27, 2013 the Company's Remunerations Committee and Board of Directors, respectively, and on March 27, 2013 the Company's general meeting, approved the resignation agreement with Ms. Hendler, the main terms of which are as follows:

1. In accordance with the terms of Ms. Hendler's original employment agreement, dated May 2011 (''The employment agreement''), in the event that the Company would have brought the employment agreement to an end in a period that was shorter than 3 years from the time of her appointment (May 2011), Ms. Hendler would have been entitled to the payment of her salary in respect of the full length of the period of the agreement up to the end of a period of three years from the time at which her period of office starts (in other words, until the end of April 2014). In the light of the circumstances of Ms. Hendler's resignation, which centered on the Company having become a private company, the members of the Audit Committee and the Board of Directors gave their approval for the said section to apply even thought the termination of her period of office was at Ms. Hendler's initiative and accordingly, the Company will pay Ms. Hendler an amount of NIS 2.4 million (gross), which is equivalent to the payment of her monthly salary for the remaining 14 months until the end of the period of three years, as aforesaid.
2. The Company will pay Ms. Hendler a resignation grant of NIS 4 million. The said grant is in place of the grant that Ms. Hendler would have been entitled to for the year 2012 in accordance with the employment agreement and also in consideration of the fulfillment of all of Ms. Hendler's other commitments under the retirement agreement.
3. Ms. Hendler has undertaken not to work in any other company whatsoever until July 2013, without the approval of the Company, nor in companies in the Company's field of activity, as has been agreed between the parties for an additional period of four years. It was agreed that the aforegoing shall not apply in connection with Ms. Hendler's holding office as the Chief Executive Officer of Bezeq—The Israel Telecommunications Corporation Ltd.
4. Within the framework of the agreement, Ms. Hendler waived all demands and/or claims against the Company in connection with her employment in the Company.

C. See Note 26E for expiration of options to senior employees.

HOT—Telecommunication Systems Ltd.

Appendix to the Consolidated Financial Statements

List of Principal Investee Companies

As of December 31, 2012

	Ownership and holding rate	
Name of the Company		
HOT Cable Telecommunication Systems Haifa—Hadera Ltd.	100%	Consolidated
HOT Net Internet Services Ltd.	100%	Consolidated
HOT Vision Ltd.	100%	Consolidated
HOT Telecom Limited Partnership	100%	Consolidated
Drom Hasharon Telecommunications (1990) Ltd.	100%	Consolidated
IsraCable Ltd.	100%	Consolidated
HOT T.L.M. Subscriber Television Ltd.	100%	Consolidated
HOT Edom Ltd.	100%	Consolidated
HOT Eidan Cable Systems (Holdings) 1987 Ltd.	100%	Consolidated
HOT Eidan Cable Systems Israel Ltd.	100%	Consolidated
HOT Net Limited Partnership	100%	Consolidated
HOT Mobile Ltd.	100%	Consolidated
Non-Stop Ventures Ltd.	50%	Affiliated
Zira (Copyrights on the Internet) Ltd.	25%	Affiliated

Cool Holding Ltd.

Interim Consolidated Financial Statements as of March 31, 2013

COOL HOLDING LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2013

NIS IN MILLIONS

UNAUDITED

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COOL HOLDING LTD.

CONSOLIDATED BALANCE SHEETS

	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	46	27	32
Restricted cash	15	270	69
Trade receivables	503	380(*)	549
Other receivables	70	68	63
Inventory	35	19	27
	669	764	740
NON-CURRENT ASSETS:			
Long-term trade receivables	74	96	82
Investment in available for sale financial asset	28	36	28
Loan to related party	184	—	184
Other long-term receivables	130	114(*)	115
Fixed assets	4,306	4,156	4,407
Intangible assets	1,647	1,887	1,706
Goodwill	2,560	3,164	2,560
Deferred taxes	57	72	59(*)
	8,986	9,525	9,141
	9,655	10,289	9,881

(*) Reclassified—see Note 2c.

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED BALANCE SHEETS (Continued)

	March 31, 2013	March 31, 2012	December 31, 2012
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from financial institutions and current maturity of debentures	125	664[(*)]	125
Short term loan from related party	15	1,132	70
Trade payables	974	820	1,062
Other payables	528	387[(*)]	432
Provision for legal claims	64	178	77
	1,706	3,181	1,766
NON-CURRENT LIABILITIES:			
Loans from financial institutions and debentures	1,264	3,233[(*)]	1,326
Loans from related party	3,909	—	3,909
Other long-term liabilities	349	558	371
Advanced received for installation fees	53	44	52
Employee benefit liability, net	30	28	32
Deferred taxes	561	604	564[(*)]
	6,166	4,467	6,254
EQUITY ATTRIBUTED TO THE EQUITY HOLDERS OF THE COMPANY			
Share capital	6	6	6
Capital reserve on transaction with a controlling shareholder	1,681	452	1,681
Capital reserve on the re-measurement of defined benefit plans	(8)	(9)[(**)]	(9)[(**)]
Capital reserve from available for sale financial assets	6	—	6
Capital reserve from transaction with non-controlling interests	257	—	257
Retained earnings (accumulated losses)	(205)	550[(**)]	(126)[(**)]
	1,737	999	1,815
NON-CONTROLLING INTERESTS	46	1,642	46
Total equity	1,783	2,641	1,861
	9,655	10,289	9,881

(*) Reclassified—see Note 2c.

(**) Restated—see Note 2b.

May 13, 2013		
Date of approval of the financial statements	Laurent Godineau Director	Jeremie Bonnin Director

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Revenues	1,065	1,027	4,192
Depreciation and amortization	312	220	1,202
Operating expenses	566	513(*)	2,259(*)
Selling and marketing expenses	62	80	300
General and administrative expenses	39	40	173
Other expenses (income), net and network establishments costs	39	50	627
Operating income (loss)	47	124	(369)
Finance income	17	17	17
Finance expenses	(145)	(148)	(574)
Loss before taxes on income	(81)	(7)	(926)
Taxes on income (tax benefit)	(2)	15	(18)(*)
Loss	(79)	(22)	(908)
Other comprehensive income (loss) (net of tax effect):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available for sale financial asset	—	—	6
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (loss) on defined benefit plans	1	(1)(*)	(1)(*)
Other comprehensive income (loss)	1	(1)	5
Total comprehensive loss	(78)	(23)	(903)

(*) Restated—see Note 2b.

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Continued)

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Net income (loss) attributable to:			
Equity holders of the Company	(79)	(34)	(710)
Non-controlling interests	—	12	(198)
	(79)	(22)	(908)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(78)	(35)	(707)
Non-controlling interests	—	12	(196)
	(78)	(23)	(903)

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve from available-for-sale financial assets	Capital reserve from translation with non-controlling interests	Capital reserve on the re-measurement of defined benefit plans	Retained deficit	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance at January 1, 2013 (audited)	6	1,681	6	257	(9)	(126)	1,815	46	1,861
Loss	—	—	—	—	—	(79)	(79)	—	(79)
Other comprehensive income, net of tax	—	—	—	—	1	—	1	—	1
Total comprehensive income (loss)	—	—	—	—	1	(79)	(78)	—	(78)
Balance at March 31, 2013	6	1,681	6	257	(8)	(205)	1,737	46	1,783

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company							
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve for available-for-sale financial assets	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
				Unaudited NIS in millions				
Three months ended March 31, 2012:								
Balance at January 1, 2012 (audited)	6	452	—	(8)	584	1,034	1,752	2,786
Net income (loss)	—	—	—	—	(34)	(34)	12	(22)
Other comprehensive loss, net of tax	—	—	—	(1)	—	(1)	—	(1)
Total comprehensive income (loss)	—	—	—	(1)	(34)	(35)	12	(23)
Share-based payment in a consolidated company	—	—	—	—	—	—	7	7
Equity benefit on transaction with controlling interest	—	—(*)	—	—	—	—	—	—(*)
Dividend to non-controlling interest	—	—	—	—	—	—	(129)	(129)
Balance at March 31, 2012	6	452	—	(9)	550	999	1,642	2,641

(*) Represents an amount lower than NIS 1 million.

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to equity holders of the Company								
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve from available-for-sale financial assets	Capital reserve from translation with non-controlling interests	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
	Audited NIS in millions								
Balance at January 1, 2012	6	452	—	—	(8)	584	1,034	1,752	2,786
Loss	—	—	—	—	—	(710)	(710)	(198)	(908)
Other comprehensive income (loss), net of tax	—	—	4	—	(1)	—	3	2	5
Total comprehensive income (loss)	—	—	4	—	(1)	(710)	(707)	(196)	(903)
Share-based payment in a consolidated company	—	—	—	—	—	—	—	18	18
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	(129)	(129)
Acquisition of non-controlling interests	—	—	2	257	—	—	259	(1,399)	(1,140)
Equity contribution on transaction with controlling shareholder	—	1,229	—	—	—	—	1,229	—	1,229
Balance at December 31, 2012	6	1,681	6	257	(9)	(126)	1,815	46	1,861

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Cash flows from operating activities:			
Loss	(79)	(22)(**)	(908)(**)
Adjustments required to reconcile loss to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Interest on behalf of loan received and/or granted to related party, net	94	—	6
Depreciation and amortization	336	264	1,202
Impairment of goodwill	—	—	604
Gain from fixed assets disposal	—	—	(1)
Deferred taxes, net	(1)	14	(10)(**)
Impairment of available for sale financial assets	—	5	20
Linkage differences on behalf of other long term liabilities	1	4	31
Interest on loan from controlling shareholder	—	36	142
Change in employee benefit liabilities, net	(1)	4(**)	7(**)
Share based payment	—	7	18
	429	334	2,019
Changes in asset and liability items:			
Decrease (Increase) in trade receivables	46	(19)(*)	(188)
Increase in other accounts receivable and other long-term receivables	(15)	(4)(*)	(18)
Decrease (increase) in inventory	(8)	5	(3)
Decrease (increase) in long term trade receivables	8	(11)	3
Increase in cost of subscriber acquisition cost and fees paid to subcontractors	(26)	(15)	(104)
Increase (decrease) in trade payables	(51)	(21)(*)	151(*)
Increase (decrease) in other accounts payables and other long term payables	(11)	41(*)	(64)
Decrease in provision for legal claims	(13)	(9)	(110)
Increase in advances received for installation fees and deposits for converters, net	1	2	10
	(69)	(31)	(323)
Net cash provided by operating activities	281	281	788

(*) Reclassified—see Note 2c.

(**) Restated—see Note 2b.

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Cash flows from investing activities:			
Purchase of fixed and intangible assets	(183)	(305)[(*)]	(1,131)[(*)]
Repayment (investment) of restricted cash	54	(67)	134
Proceeds from sale of fixed assets	—	—	2
Loan granted to related party	—	—	(184)
Net cash used in investing activities	(129)	(372)	(1,179)
Cash flows from financing activities:			
Repayment of long-term loans from financial institutions and debentures	(63)	(16)	(2,676)
Drawing of long-term loans from banks and finance entities	—	500	1,050
Receipt (repayment) of short term loan from related party	(55)	(237)	70
Short-term bank credit, net	—	—	(595)
Repayment of liability to the government and others	(20)	(17)	(74)
Receiving loans from related party	—	—	3,909
Repayment of loan from controlling shareholder	—	—	(9)
Transaction with non-controlling interests	—	—	(1,140)
Dividend paid to non-controlling interests	—	(129)	(129)
Net cash provided by (used in) financing activities	(138)	101	406
Increase in cash and cash equivalents	14	10	15
Cash and cash equivalents at beginning of period	32	17	17
Cash and cash equivalents at end of period	46	27	32

(*) Reclassified—see Note 2c.

The accompanying notes are an integral part of the interim consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
(a) *Material non-cash activities*			
Acquisition of fixed assets on supplier credit	279	246(*)	316(*)
Acquisition of fixed assets under finance leasing	4	27	51
(b) *Cash paid during the period for:*			
Interest paid	39	16	231
(c) *Cash received during the period for:*			
Interest received	5	4	14
Taxes received	—	—	13

(*) Reclassified—see Note 2c.

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTE 1:—GENERAL

a. These financial statements have been prepared in a condensed format as of March 31, 2013 and for the three months period then ended (‘‘interim consolidated financial statements’’). These financial statements should be read in conjunction with the Company’s annual financial statements as of December 31, 2012 and for the year then ended and the accompanying notes (‘‘annual consolidated financial statements’’).

b. The Group’s working capital deficit:

As of the balance sheet date, the Group has a working capital deficit of NIS 1,037 million (as of December 31, 2012—NIS 1,026 million).

In the assessment of HOT’s Board of Directors, after having received satisfactory explanations from HOT’s management, the working capital deficit does not indicate that HOT has a liquidity problem and that HOT have sufficient sources of financing in order to clear the deficit on its working capital and to continue its operations, inter alia, by means of the forecast cash flows from operating activities and from the unexploited credit facilities.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

a. *The format for the preparation of the interim consolidated financial statements*

The interim consolidated financial statements have been prepared in accordance with IAS 34, ‘‘Interim Financial Reporting’’.

b. *New standards, interpretations and amendments that have been implemented by the Company for the first time*

The main accounting policies that have been implemented in the preparation of the interim consolidated financial statements are consistent with those that were implemented in the preparation of the Consolidated Annual Financial Statements, except as detailed below:

1. IAS 19 (Revised)—Employee Benefits

In June 2011, the IASB published IAS 19 (Revised), which is required to be implemented as from January 1, 2013. The principal amendments that are relevant to the Company are as follows:

- Actuarial gains and losses are to be recognized under other comprehensive income and are not to be reflected in profit or loss.
- The yield on the plan assets is to be recognized in profit or loss based on the discount rate used to measure the defined benefit obligation, without connection to the actual results of the investments portfolio.
- The distinction between short-term employee benefits and long-term employee benefits is to be based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

As from January 1, 2013, the Company has changed its accounting policy and has implemented IAS 19 (Revised) for the first time retrospectively.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is the impact of the changes in the accounting policy as the result of the initial implementation of IAS 19 (Revised) on the Company's financial statements:

In the statements of financial position

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
As of March 31, 2012			
Capital reserve on the re-measurement of defined benefit plans, net	—	(9)	(9)
Retained earnings	541	9	550
As of December 31, 2012			
Capital reserve on the re-measurement of defined benefit plans, net	—	(9)	(9)
Accumulated losses	(135)	9	(126)

In the statements of comprehensive income

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
For the three months ended March 31, 2012			
Operating expenses	514	(1)	513
Net loss	(23)	1	(22)
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	—	(1)	(1)
Total comprehensive loss	(23)	—	(23)
For the year ended December 31, 2012			
Operating expenses	2,261	(2)	2,259
Taxes on income (tax benefit)	(19)	1	(18)
Net loss	(909)	1	(908)
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	6	(1)	5
Total comprehensive loss	(903)	—	(903)

In the statements of changes in equity

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
As of January 1, 2012			
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	—	(8)	(8)
Retained earnings	576	8	584

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. IFRS 13—Fair value measurement

   IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to the international standards. IFRS 13 defines fair value as the price that would be received on the sale of an asset or paid on the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value reflects the ability of a market participant to produce economic benefits by means of the highest and best use of an asset. In addition, IFRS 13 details the characteristics of market participants on which the assumptions have been based in the calculation of the fair value. Fair value measurement is to be based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The provisions of IFRS 13 are to be applied prospectively as from January 1, 2013 and they do not apply to comparative figures. See Note 6.

The initial implementation of IFRS 13 has not had an impact on the HOT's financial statements.

c. *Reclassification*:

HOT, and as a result- the Company, have reclassified certain items in the comparative periods that are presented in the interim financial statements, in order to adjust them to the classification presented in the current period.

The main reclassifications that have been made include:

(1) A reclassification has been made in the statement of cash flows for the period of three months ended March 31, 2012 in respect of financial leasing in an amount of NIS 27 million from the purchase of fixed assets, which formed part of the net cash flows used for investment activities and from the increase in other long-term liabilities, which formed part of net cash provided by financing activities, to significant non-cash activities.

(2) The elimination of the exaggeration in respect of income receivable in trade receivables opposite income in advance which is recorded under other payables as of March 31, 2012, in an amount of NIS 17 million.

(3) A reclassification of the liabilities in respect of debentures from the item debentures to loans from financial institutions and debentures (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 1,378 million. Furthermore, a reclassification has been made in respect of current maturities of debentures to credit from financial institutions and current maturities of debentures (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 123 million. The aforesaid has also had a similar impact on the statements of cash flows for the said periods.

(4) A reclassification (by way of the consolidation of items) of the item rights to broadcast movies and programs to other long-term receivables as of March 31, 2012 in an amount of NIS 86 million.

(5) A reclassification of the balance of deferred taxes from non-current assets to non-current liabilities in an amount of NIS 13 million as of December 31, 2012.

(6) A reclassification in respect of the purchase of fixed assets on supplier credit in the statement of cash flows for the period of three months ended March 31, 2012 in an amount of NIS 1 million from cash flows used in investment activities to cash flows produced by operating activities and in an amount of NIS 9 million from cash flows produced by operating activities to cash flows used in investment activities in the year ended December 31, 2012.

d. *Onerous contracts*

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it.

NOTE 3:—CONTINGENT LIABILITIES AND COMMITMENTS

During the routine course of business, lawsuits have been filed against the companies in HOT's Group and various legal proceedings are outstanding against it (hereinafter—The Legal Claims).

In the opinion of the managements of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of NIS 64 million has been recorded in the financial statements as of March 31, 2013, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the managements of HOT's Group, the amount of the additional exposure, in an amount of approximately NIS 3.8 billion (over and above the provisions that have been recorded in these financial statements), as of March 31, 2013, as a result of lawsuits that have been filed against companies in the Group on various matters, is as follows:

a. An amount of approximately NIS 2.1 billion in respect of claims, in respect of which in the assessment of the HOT's Group management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

b. An amount of approximately NIS 0.4 billion (an amount of NIS 62 million in respect of claims that were filed after the balance sheet date) in respect of claims, in respect of which it is not yet possible, at this stage, to make an assessment, the main ones being in connection applications for the approval of class actions that were presented close to the date of the financial statements.

c. An amount of approximately NIS 1.3 billion in respect of claims which, in the assessment of the HOT's Group management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50%.

The following is an abbreviated summary of the Group's contingent liabilities effective as of March 31, 2013, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of March 31, 2013	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of March 31, 2013	Provisions recorded in the financial statements as of December 31, 2012	Updating of the expense (income), net in the reporting period
			NIS millions		
Customers	3,375	334	19	19	—
Lawsuits after the balance sheet date in respect of customers	62	62	—	—	—
Copyrights	81	—	43	54	1
Suppliers	37	—	2	3	—
Employees	5	1	—	1	—
The merger transaction	234	—	—	—	—
Total	3,794	397	64	77	1

NOTE 4:—DEVELOPMNENTS IN THE FIELD OF LEGISLATION AND SUPERVISION

HOT's Group is subject to a broad range of legislation, which organizes and restricts its business operations, including its charge rates. Arrangements apply to the Group's charge rates under the force of the Communications Law. The Group's supervised service charges are set in regulations and are updated in accordance with a linkage formula. All of the Group's operating segments face competition. As a general rule, the Group's operations are subject to arrangements that are dictated by the authorities and are subject to supervision.

NOTE 5:—ADDITIONAL SIGNIFICANT EVENTS IN THE REPORTING PERIOD

During the reporting period, the management of a subsidiary company of HOT—HOT Mobile decided to vacate its office building in the Airport City, in respect of which there is a long-term rental contract with Airport City up to and including the year 2019. As a result of this decision, HOT Mobile recognized an expense of NIS 27 million in the reporting period, which was recorded under other expenses, reflecting rental expenses, taxes and the amortization of leasehold improvements in the leased property, which are irrecoverable in the HOT's Mobile assessment and which fall within the definition of a burdensome contract.

NOTE 6:—FINANCIAL INSTRUMENTS

a. Fair value

The following are the carrying values in the accounting records and the fair values of financial instruments that are presented in the financial statements other than in accordance with their fair values as of March 31, 2013:

	Carrying value	Fair value
	NIS millions	
Financial liabilities		
Debentures bearing interest at a fixed rate of interest (including current maturities)	1,389	1,503
Liabilities to the government and other long-term liabilities at a fixed rate of interest (including current maturities)	202	222
Loan from related party	3,985	3,985
	5,576	5,710

NOTE 7:—OPERATING SEGMENTS

As mentioned in the company's consolidated annual financial statements, the company operates in three main business segments: Cellular, Telecom and Broadcasting.

	Three months ended March 31, 2013 (unaudited)					
	Cellular	Telecom	Broadcasting	Others	Inter segmental income(*)	Total consolidated
	NIS in millions					
External revenues	232	507	562	5	(241)	1,065
Segment Income (loss)	(119)	110	63	(2)	—	52
Unattributed other loss, net						(4)
Operating loss						47
Financial Expenses, Net						(128)
Loss before taxes						(81)

(*) Revenues attributable to the Telecom segment.

NOTE 7:—OPERATING SEGMENTS (Continued)

	Three months ended March 31, 2012 (unaudited)					
	Cellular	The in-country fixed line communications	Cable television	Others	Inter segment revenues(*)	Total consolidated
	NIS in millions					
External revenues	189	493	578	1	(234)	1,027
Segment Income (loss)	(5)	80	51	(2)	—	124
Unattributed other income, net						—
Operating income						124
Financial Expenses, Net						(131)
Loss before taxes						(7)

	Year Ended December 31, 2012					
	Cellular	Telecom	Broadcasting	Others	Inter segmental income(*)	Total consolidated
	NIS in millions					
External revenues	855	2,008	2,275	11	(957)	4,192
Segment Income (loss)	(203)	(268)	143	(12)	(2)	(342)
Unattributed other loss, net						(27)
Operating loss						(369)
Financial Expenses, Net						(557)
Loss before taxes						(926)

(*) Revenues attributable to the Telecom segment.

NOTE 8:—POST BALANCE SHEET DATE EVENTS

a. See Note 3 for the amount of class actions filed after the balance sheet date

b. See Note 5 for vacation of office building in the Airport City.

NOTE 9:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (“SOLO”)

a. Consolidated Balance Sheet:

	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
CURRENT ASSETS			
Cash and cash equivalents	—	13	—
Restricted cash	—	270	—
Other receivables	7	—	1
	7	283	1
NON-CURRENT ASSETS			
Investment in investee	2,206	2,206	2,206
Loan to related party	184	—	184
	2,390	2,206	2,390
	2,397	2,489	2,391
CURRENT LIABILITIES			
Credit from banks and others	—	191	—
Trade payables	1	2	—
Loan from controlling shareholder	—	1,132	—
Other accounts payable	43	25	4
	44	1,350	4
NON-CURRENT LIABILITIES			
Loans from banks and others	—	810	—
Loan from related party	1,053	—	1,053
	1,053	810	1,053
	1,097	2,160	1,057
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	6	6	6
Reserve for transaction with controlling shareholder	1,681	452	1,681
Retained loss	(387)	(129)	(353)
Total equity	1,300	329	1,334
	2,397	2,489	2,391

NOTE 9:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Continued)

b. Statements of comprehensive income:

	Three months ended March 31,		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
General and administrative expenses	(1)	—	(2)
Operating loss	(1)	—	(2)
Other income[(*)]	—	236	181
Finance income	7	1	2
Finance expenses	(40)	(60)	(228)
Net income (loss)	(34)	177	(47)
Other comprehensive income (loss) (net of tax effect):	—	—	—
Total comprehensive income (loss)	(34)	177	(47)

(*) See note 7d.

c. Statements of changes in equity:

	Attributable to equity holders of the Company			
	Share capital	Capital reserve for transaction with controlling shareholder	Retained earnings (loss)	Total
	NIS in millions			
Balance at January 1, 2013	6	1,681	(353)	1,334
Loss	—	—	(34)	(34)
Total comprehensive loss	—	—	(34)	(34)
Balance at March 31, 2013 (unaudited)	6	1,681	(387)	1,300

NOTE 9:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Continued)

	Attributable to equity holders of the Company			
	Share capital	Capital reserve for transaction with controlling shareholder	Retained earnings (loss)	Total
		Unaudited		
		NIS in million		
Balance at January 1, 2012 (audited)	6	452	(306)	152
Net income	—	—	177	177
Other comprehensive loss, net of tax	—	—	—	—
Total comprehensive loss	—	—	177	177
Equity benefit on transaction with controlling shareholder	—	—(*)	—	—(*)
Balance at March 31, 2012 (unaudited)	6	452	(129)	329

(*) Represents an amount lower than NIS 1 million.

	Attributable to equity holders of the Company			
	Share capital	Capital reserve for transaction with controlling shareholder	Retained earnings (loss)	Total
		NIS in millions		
Balance at January 1, 2012	6	452	(306)	152
Net loss	—	—	(47)	(47)
Total comprehensive loss	—	—	(47)	(47)
Equity benefit on transaction with controlling shareholder	—	1,229	—	1,229
Balance at December 31, 2012	6	1,681	(353)	1,334

NOTE 9:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Continued)

d. Consolidated statements of cash flows:

	Three months ended March 31,		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
Cash flows from operating activities:			
Net income (loss)	(34)	177	(47)
Adjustments required in order to present cash flows from operating activities:			
Adjustments to the profit or loss items:			
Interest on behalf of loan received and/or granted to related party, net	31	—	2
Linkage differences on behalf of other long term liabilities	—	2	—
Interest on loan from controlling shareholder	—	36	142
Other income	—	(236)	(236)
	(3)	(21)	(139)
Changes in asset and liability items:			
Increase (decrease) in other receivables	1	—	(1)
Increase in trade payables	1	—	(2)
Increase in other accounts payable	1	16	(7)
	3	16	(10)
Cash received during the period for:			
Dividend received	—	236	236
Net cash provided by operating activities	—	231	87
Cash flows from investing activities:			
Investment in restricted cash	—	(67)	203
Loan granted to related party	—	—	(184)
Net cash used in investing activities	—	(67)	19

	Three months ended March 31,		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
Cash flows from financing activities:			
Short-term bank credit, net from bank commission	—	(152)	(301)
Repayment of long-term loans from financial institutions	—	—	(850)
Repayment of loan from controlling shareholder	—	—	(9)
Receipt of loan from related party			1,053
Net cash used in financing activities	—	(152)	(107)
Increase (decrease) in cash and cash equivalents	—	12	(1)
Cash and cash equivalents at the beginning of the period	—	1	1
Cash and cash equivalents at the end of the period	—	13	—

NOTE 9:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (''SOLO'') (Continued)

The accounting policies applied in the above condensed data are identical to those applied in the consolidated financial statements as detailed in note 2, except:

– The accounting treatment of investments in shares of investees pursuant to IAS 27:

When presenting the data from the separate financial statements of the parent company (''solo''), investment in shares of subsidiary is accounted for at cost or at fair value in accordance with IAS 39 and not at equity. The Company has elected to account for said investment at cost and, accordingly, the investment in shares of HOT is presented at cost.

On February 19, 2012 HOT distributed a dividend of NIS 365 million. As a result of this distribution, the company received NIS 236 million as a cash dividend which has been classified as other income in the solo financial statement of the company.

Cool Holding Ltd.

Consolidated Financial Statements as of December 31, 2012

COOL HOLDING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012

NIS IN MILLIONS

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AUDITOR'S REPORT

To the Equity holders of

COOL HOLDING LTD.

As detailed in an engagement letter signed on March 3, 2013 in Luxemburg, we were engaged to provide an audit report on the financial statements of Cool Holding Ltd. We have audited the accompanying consolidated statements of financial position of Cool Holding Ltd. (''the Company'') as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended on December 31, 2012. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended on December 31, 2012, in conformity with International Financial Reporting Standards (''IFRS'').

Without qualifying our above opinion, we draw attention to the contents of Note 26 to the financial statements on the subject of claims that have been presented against the HOT Telecommunication Systems Ltd. and its subsidiaries companies and which it is not possible to assess or to calculate their impact at this stage.

Tel-Aviv, Israel
March 27, 2013

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2012	December 31, 2011
		NIS in millions	
Current Assets			
Cash and cash equivalents	5	32	17
Restricted cash	5	69	203
Trade receivables	6	549	361
Other receivables	7	63	79
Inventory	8	27	24
		740	684
Non-current assets			
long-term trade receivables	9	82	85
Investment in available for sale financial asset	10	28	42
Loan to related party	12	184	—
Other long-term receivables	13	115	103
Fixed assets, net	14	4,407	4,014
Intangible assets, net	15	1,706	1,918
Goodwill	15	2,560	3,164
Deferred taxes	25	72	81
		9,154	9,407
		9,894	10,091

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	Note	December 31, 2012	December 31, 2011
		NIS in millions	
Current liabilities			
Credit from financial institutions and current maturity of debentures	16	125	778
Short term loan from related party		70	—
Trade payables	17	1,062	816
Other payables	18	432	338
Provision for legal claims	19	77	187
		1,766	2,119
Non-current liabilities			
Loans from financial institutions and debentures	20	1,326	2,872
Subordinated loan from controlling shareholders	30	—	1,096
Loans from related party	21	3,909	—
Other long-term liabilities	24	371	553
Advanced received for installation fees		52	42
Employee benefit liability, net	23	32	23
Deferred taxes	25	577	600
		6,267	5,186
Equity attributed to the equity holders of the Company	27		
Share capital		6	6
Capital reserve on transaction with a controlling shareholder		1,681	452
Capital reserve from available for sale financial assets		6	—
Capital reserve from transaction with non-controlling interests		257	—
Retained earnings (accumulated losses)		(135)	576
		1,815	1,034
Non-controlling interests		46	1,752
Total equity		1,861	2,786
		9,894	10,091

March 27, 2013		
Date of approval of the financial statements	Laurent Godineau Director	Jeremie Bonnin Director

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2012	2011	2010
		NIS in millions		
Revenues	28	4,192	2,552	—
Depreciation and amortization		1,202	671	—
Operating expenses	28	2,261	1,226	—
Selling and marketing expenses		300	194	
General and administrative expenses		173	122	1
Other expenses (income), net and network establishments costs		627	(113)	—
Operating income (loss)		(371)	452	(1)
Finance income	28	17	52	108
Finance expenses	28	(574)	(438)	(161)
Gain from obtaining control over subsidiary		—	662	—
Group share of earnings of an associate company, net		—	58(*)	34
Income (loss) before taxes on income		(928)	786	(20)
Taxes on income (tax benefit)	25	(19)	166	2
Net income (loss)		(909)	620	(22)
Other comprehensive income (loss) (net of tax effect):				
Impairment of available-for-sale financial assets carried to the income statement		—	32	—
Change in fair value of available for sale financial asset	10	6	(31)	(2)
Total other comprehensive income (loss)		6	1	(2)
Total comprehensive income (loss)		(903)	621	(24)

(*) Includes an amount of approximately NIS 20 million on behalf of profit which was provided after achieving initial control.

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Continued)

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Net income (loss) attributable to:			
Equity holders of the Company	(711)	577	(22)
Non-controlling interests	(198)	43	—
	(909)	620	(22)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(707)	578	(24)
Non-controlling interests	(196)	43	—
	(903)	621	(24)

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve from available-for-sale financial assets	Capital reserve from translation with non-controlling interests	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
				NIS in millions				
Balance at January 1, 2010	—	152	1	—	21	174	—	174
Loss	—	—	—	—	(22)	(22)	—	(22)
Other comprehensive loss, net of tax	—	—	(2)	—	—	(2)	—	(2)
Total comprehensive income	—	—	(2)	—	(22)	(24)	—	(24)
Issue of share capital	6	—	—	—	—	6	—	6
Equity contribution on transaction with controlling shareholder	—	145	—	—	—	145	—	145
Balance at December 31, 2010	6	297	(1)	—	(1)	301	—	301
Net income	—	—	—	—	577	577	43	620
Other comprehensive income, net of tax	—	—	1	—	—	1	—	1
Total comprehensive income	—	—	1	—	577	578	43	621
Share-based payment in a consolidated company	—	—	—	—	—	—	33	33
Non-controlling interests in initially consolidated company	—	—	—	—	—	—	1,676	1,676
Equity contribution on transaction with controlling shareholder	—	155	—	—	—	155	—	155
Balance at December 31, 2011	6	452	—	—	576	1,034	1,752	2,786
Loss	—	—	—	—	(711)	(711)	(198)	(909)
Other comprehensive income, net of tax	—	—	4	—	—	4	2	6
Total comprehensive income (loss)	—	—	4	—	(711)	(707)	(196)	(903)
Share-based payment in a consolidated company	—	—	—	—	—	—	18	18
Dividend paid to non-controlling interest	—	—	—	—	—	—	(129)	(129)
Acquisition of non-controlling interests	—	—	2	257	—	259	(1,399)	(1,140)
Equity contribution on transaction with controlling shareholder	—	1,229	—	—	—	1,229	—	1,229
Balance at December 31, 2012	6	1,681	6	257	(135)	1,815	46	1,861

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	(909)	620	(22)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	1,202	671	—
Impairment of goodwill	604	—	—
Gain from obtaining control in consolidated company	—	(662)	—
Gain from fixed assets disposal	(1)	—	—
Deferred taxes, net	(11)	163	1
Impairment of available for sale financial assets	20	32	—
Linkage differences on behalf of other long term liabilities	31	15	—
Revaluation liability to the government and other long term liability	—	16	—
Interest on loan from controlling shareholder	142	135	158
Finance income from loan from controlling shareholders	—	—	(108)
Group share of earnings of an associate	—	(58)(*)	(34)
Share based payment	18	33	—
Employee benefit liability, net	9	2	—
	2,014	347	17
Changes in asset and liability items:			
Increase in trade receivables	(188)	(8)	—
Increase in other accounts receivable and other long-term receivables	(18)	(25)	—
Decrease (increase) in inventory	(3)	1	—
Decrease (increase) in long term trade receivables	3	(6)	—
Increase in cost of subscriber acquisition cost and fees paid to subcontractors	(104)	(15)	—
Increase in trade payables	142	51	—
Increase (decrease) in other accounts payables and other long term payables	(58)	54	1
Decrease in Provision for legal claims	(110)	(130)	—
Increase in advances received for installation fees and deposits for converters, net	10	3	—
	(326)	(75)	1
Net cash provided by (used in) operating activities	779	892	(4)

(*) Includes an amount of approximately NIS 20 million on behalf of profit which was provided after achieving initial control.

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Cash flows from investing activities:			
Purchase of fixed and intangible assets	(1,122)	(394)	—
Proceeds from sale of fixed assets	2	—	—
Repayment (investment) of restricted cash	134	(166)	—
Acquisition of newly consolidated companies (a), (b)	—	(813)	
Loan granted to related party	(184)	—	—
Net cash used in investing activities	(1,170)	(1,373)	—
Cash flows from financing activities:			
Repayment of long-term loans from financial institutions and debentures	(2,676)	(968)	—
Receipt of long-term loans from financial institutions	1,050	2,097	—
Receiving short term loan from related party	70	—	—
Short-term bank credit, net	(595)	(51)	3
Repayment of liability to the government and others	—	(44)	—
Receiving loan from controlling shareholder	—	90	—
Receiving loan from related party	3,909	—	—
Repayment of loan from controlling shareholder	(9)	(8)	—
Increase (decrease) in long term liabilities	(74)	3	—
Repayment of contingent consideration	—	(621)	—
Transaction with non-controlling interests	(1,140)	—	—
Dividend paid to non-controlling interests	(129)	—	—
Net cash provided by financing activities	406	498	3
Increase in cash and cash equivalents	15	17	(1)
Cash and cash equivalents at beginning of period	17	—	1
Cash and cash equivalents at end of period	32	17	—

The accompanying notes are an integral part of the consolidated financial statements.

COOL HOLDING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
(a) *Acquisition of newly consolidated company:*			
Working capital (excluding cash and cash equivalents)	—	1,139	—
Long-term liabilities	—	2,158	—
Fixed assets	—	(3,383)	—
Intangible assets	—	(1,688)	—
Goodwill	—	(2,957)	—
Other long-term fixed assets	—	(184)	—
Deferred tax, net	—	244	—
Gain from obtaining control in a newly consolidated company	—	662	—
Investment in investee, prior to the acquisition	—	1,379	—
Contingent consideration for shares in consolidated company, short and long term	—	621	—
Non-controlling interests	—	1,676	—
	—	(333)	—
(b) *Acquisition of newly consolidated company by a subsidiary:*			
Working capital (excluding cash and cash equivalents)	—	316	—
Long-term liabilities	—	403	—
Fixed assets	—	(640)	—
Intangible assets	—	(389)	—
Goodwill	—	(207)	—
Other long-term fixed assets	—	(83)	—
Deferred tax, net	—	120	—
	—	(480)	—
(c) *Material non-cash activities*			
Acquisition of fixed assets on supplier credit	345	241	6
Acquisition of fixed assets under finance leasing	51	34	—
(d) *Cash paid during the period for:*			
Interest paid	231	143	—
(e) *Cash received during the period for:*			
Interest received	14	6	—
Dividends received	—	6	—
Taxes received	13	—	—

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:—GENERAL

a. General description of the Group and its activities:

Cool Holding Ltd. (''the Company'') was incorporated in Israel on April 26, 2009 and registered with the Israeli corporate registrar as an Israeli company. On April 2, 2010, the general meeting of the Company's equity holders approved the Company's registration as a Luxembourg company, in effect retroactively and as from the date of its incorporation, the Company is managed and operated from Luxembourg.

The Company's shares are wholly owned by Altice VII Sarl (''Altice''), a Luxembourg Company. The Company was incorporated for the purpose of holding the shares of HOT for Altice, as described below.

As of the date of this report, the Company is managed and controlled outside of Israel. The Company has confirmation of residence from the Luxembourg Authorities, according to which it is a company that is resident in Luxembourg in accordance with the provisions of Luxembourg's internal law. In accordance with the law that applies in Luxembourg, the Company is also subject to Luxembourgian law.

As of the date of the approval of the financial statements, the Company's entire activity consists of holding 100% of HOT Telecommunication Systems Ltd. (''HOT'') shares.

b. HOT Telecommunication Systems Ltd. (hereinafter—HOT) and its wholly owned consolidated companies and consolidated partnerships are active in five principle fields of activity:

1. Multi-channel television broadcasts for subscribers.
2. In country landline telecommunications services.
3. Cellular communications services.
4. Internet provider services (hereinafter—ISP Services)—as of December 31, 2012 this activity is insignificant and therefore it has not been reported as a reportable segment.
5. The provision of international communications services—as from January 2013, in accordance with an operator's license for the provision of international services, which HOT Mobile received in May 2012.

c. HOT is an Israeli registered company. In October 1993 HOT became a public company. On December 27, 2012, a transaction was completed within the framework of which Cool Holdings Ltd, (''Cool), the controlling interest in HOT acquired, through a newly wholly owned subsidiary (Cool investment Ltd), all of the public's holdings in HOT, such that with the completion of the said transaction, HOT became a private company that is wholly owned by Cool (directly and through a wholly owned company). Since HOT's bonds are registered for trading on the Stock Exchange, HOT remains a reporting company.

d. On December 27, 2012, a transaction was completed, within the framework of which the Company purchased all of the public's holdings in HOT, for consideration of NIS 42 a share (see also e below).

Two lawsuits and an application for the approval of the lawsuits as class actions were received in November 2012 against the Company, companies in the Fishman Group, Yedioth Communications Ltd., directors in HOT and HOT. The plaintiffs allege that the distribution of the consideration for the merger transactions, between HOT and subsidiary companies belonging to the Company was purportedly prejudicial to the shareholders from among the public and that it purportedly afforded ''an excess consideration'' of NIS 278 million to the companies in the Fishman Group and Yedioth, at the expense of the shareholders from among the public.

HOT and the Company are studying the details of the claims and the application for approval as class actions and have not yet presented its response to the application for approval as a class action.

NOTE 1:—GENERAL (Continued)

e. On November 5, 2012 the Company entered into separate agreements with two shareholders of HOT (Yedioth Communications Ltd. (''Yedioth) and companies from the Fishman Group (collectively, ''Fishman'' and, together with Yedioth, the ''interested shareholders'')), pursuant to which the Company acquired from each of the interested shareholders its full holdings in HOT in consideration for a payment of NIS 41 per share.

Each interested shareholder will waive the obligation of the Company towards such interested shareholder (under an agreement between the Company and such interested party dated October 2010 (hereinafter—the ''original agreement'')), not to, until the earlier of (1) the date on which Yedioth or Fishman will hold less than 2.5% of the HOT shares and or (2) the date that is three years from the date of the Company's acquisition of HOT shares from the interested shareholders in 2011, take any action which will cause HOT to became a private company or cause its shares to be delisted from the Tel Aviv Stock Exchange, without receiving the consent of each interested shareholder (''the obligation'').

As consideration for the waiver of the obligation, the Company agreed to grant each interested shareholder the right to purchase from the Company, at a price per share equal to NIS 48 (hereinafter—''the call consideration''), during the 24-month period commencing on the first anniversary of the date of the acquisition by the Company of the HOT shares from each interested party, the acquired shares, all or partially (''the call option'').

The agreements also include certain rights that will be available to the interested shareholders as well as certain drag along and tag along rights of the Company and the interested shareholders, respectively.

As of the date of the financial statements, both the transactions described in section d and e above were completed, and the public of HOT (including the interested shareholders) was acquired in total amount of NIS 956 millions. Also, the call option was evaluated in an amount of NIS 46 million, which was recorded in the companies equity.

The Company is examining the above agreements impact on its future financial statements.

f. Legislative and regulatory restrictions in HOT Group:

HOT Group is subject to an array of different laws, which organize and restrict its business operations, including its charge rates. Arrangements apply to HOT's charge rates under the Telecommunications Law. HOT Group's charge rates for services, which are supervised, are set in Regulations and are updated in accordance with a linkage formula. All of the HOT Group's operating segments face competition. HOT Group's operations are generally subject to governmental arrangements and supervision.

g. The Group's working capital deficit:

As of the balance sheet date, the Group has a working capital deficit of NIS 1,026 million (as of December 31, 2011—NIS 1,435 million).

In the assessment of HOT's Board of Directors, after having received satisfactory explanations from HOT's management and after having examined HOT's forecast cash flows for a period of twenty four months, the working capital deficit does not indicate that HOT has a liquidity problem and that HOT have sufficient sources of financing in order to clear the deficit on its working capital and to continue its operations, inter alia, by means of the forecast cash flows from operating activities and from the unexploited credit facilities.

NOTE 1:—GENERAL (Continued)

h. Definitions:

In these financial statements:

The Company/Cool — Cool Holdings Ltd. S.a.r.l

The Group — The Company and its investee companies, which are noted in the attached list.

HOT — HOT telecommunication systems Ltd. And its subsidiaries.

Consolidated company — A company over which the Company has control (as defined in IAS 27 (2008)) and whose financial statements are consolidated with the Company's financial statements.

Affiliated company — A company over which the Company has significant influence and that is not a Consolidated company, and the company's investment in which is recorded in the company's consolidated financial statements under the equity method.

Investee companies — A consolidated company and associate company.

The parent company/Altice — Altice VII S.A.R.L.

Related parties — As defined in IAS 24.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of the presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'').

The Company's financial statements have been prepared on a cost basis, except for: derivatives and financial instruments, which are presented at fair value through profit or loss and available-for-sale financial assets.

The Company has elected to present profit or loss items using the function of expense method.

b. The period of the operating cycle:

The regular operating cycle of the Company is one year.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the controlled entity. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

Non-controlling interests of subsidiaries represent the non-controlling shareholders' share of the total comprehensive income (loss) of the subsidiaries and their share of the net assets at fair value of the non-controlling interests upon the acquisition of the subsidiaries. The non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and for the same periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intra-group balances and transactions and gains or losses resulting from intra-group transactions are eliminated in full in the consolidated financial statements.

d. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree. In each business combination, the Company elects whether to measure the non-controlling interests in the acquiree based on their fair value on the date of the acquisition or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the income statement as incurred.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IAS 39. Subsequent changes in the fair value of the contingent consideration are recognized in the statement of income or in the statement of other comprehensive income. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent re-measurement.

Goodwill is initially measured at cost, which represents the excess of the acquisition consideration and the amount of the non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of the assessment of impairment of goodwill, goodwill that was purchased in a business combination is assessed and attributed to the cash-generating units to which it had been allocated.

e. The functional currency, the presentation currency and foreign currency:

1. The functional currency and the presentation currency:

The presentation currency for the financial statements is the New Israeli Shekel (NIS).

The Group determines the functional currency for each company in the Group and the financial position and the results of the operations are measured separately in accordance with that currency.

2. Transactions, assets and liabilities in foreign currency:

Transactions that are denoted in foreign currency are recorded at the time that they are initially recognized in accordance with the exchange rate as of the time of the transaction. Following the initial recognition, the financial assets and liabilities that are denoted in foreign currency are translated at each balance sheet date into the functional currency in accordance with the exchange rate at that time. Exchange differences are reflected in the statement of income. Non-monetary assets and liabilities, which are denoted in foreign currency and which are presented at cost are translated in accordance with the exchange rate at the time of the transaction. Non-monetary assets and liabilities, which are denoted in foreign currency and which are presented at fair value are translated into the functional currency in accordance with the exchange rate at the time at which the fair value is determined.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Index-linked monetary:

   Monetary assets and liabilities that are linked in accordance with their terms to changes in the Consumer Prices Index in Israel (hereinafter—the index) are adjusted in accordance with the relevant index, at each balance sheet date, in accordance with the terms of the agreement. Linkage differences that derive from the adjustments, as aforesaid, are recognized in profit or loss.

f. Cash equivalents:

Highly liquid investments, which include short-term deposits with banks, which are not restricted by a charge and whose deposit periods did not exceed three months at the time of investment.

g. Provision for doubtful debts:

The provision for doubtful debts is specifically calculated in respect of those debts whose collection in the Company's management's assessment is doubtful. Moreover, the Company recognizes a provision in respect of groups of customers who are evaluated collectively in respect of impairment in value based on their credit risk characteristics. The debts of customers where an impairment of value has occurred, are written off at the time at which it is determined that those debts cannot be collected.

h. Inventory:

Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes the costs that have been incurred in purchasing the inventory and bringing it to its present location and condition. Net realizable value is an estimate of the selling price in the ordinary course of business, less an estimate of the costs to completion and the costs necessary to make the sale. The Group examines the state of the inventory and its aging during each period and records provisions for slow moving inventory accordingly.

The cost of inventory is determined in accordance with the weighted average method.

i. The recognition of revenues in HOT Group:

Revenues are recognized in profit or loss when the income can be measured in a reliable manner, it is expected that the economic benefits that are related to the transaction will flow to HOT Group and that the costs that have been incurred or which will be incurred in respect of the transaction can be reliably measured. Where HOT operates as the main supplier and bears the risks that are derived from the transaction, the revenues are presented on a gross basis. In cases where HOT acts as an agent or as a broker, without being exposed to the risks and the rewards associated with the transaction, the revenues are presented on a net basis. Revenues are measured in accordance with the fair value of the consideration for the transaction less commercial discounts, quantity discounts and returns.

The following are the specific criteria in respect of the recognition of income in respect of the following types of income:

Revenues from the rendering of services

Revenues from the rendering of cable television, internet, telephony and radio telephone on a cellular network services are recognized in accordance with the stage of completion of the transaction as at the balance sheet date. In accordance with this method, the revenue is recognized in the reporting periods in which the services are provided. Income in advance from the sale of dialing cards is recognized in accordance with the earlier of the actual use by the customers or the time at which the dialing card's period of validity expires.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from the sale of equipment

Revenues from the sale of equipment include the sale of mobile devices and ancillary equipment for those devices. The revenues from the sales are recognized where all of the significant risk and yields that are derived from the ownership of the equipment are transferred to the purchaser and the seller does not retain continuing managerial involvement. Generally, the time of the delivery is the time at which ownership is transferred. The charge in respect of terminal equipment is made separately from the monthly charge for the consumption of services, in accordance with the amounts that is denoted in a separate invoice, which reflects the fair value of the terminal equipment, which is not subsidized by HOT Group. In the light of the aforesaid, HOT Group recognizes revenues in respect of the sale of devices on the transfer of the ownership of the devices to its customers. The revenues are recognized on the first day in accordance with its fair value as of that time and the difference between the fair value and the denoted amount of the consideration is recognized as financing income over the course of the period of the installment payments.

Revenues from credit arrangements

Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded on the basis of the present value of the future cash flows (against long-term receivables) and are discounted in accordance with interest rates. The difference between the original amount of the credit and the present value, as aforesaid, is spread over the length of the credit period and recorded as interest income over the length of the credit period.

Revenues in respect of fees for installation in customer's homes

In accordance with the provisions of IAS 18, since the transaction in respect of the connection of a customer to HOT Group's services is connected to a services arrangement, in such manner that the services arrangement will only have a commercial effect in relation to both of the transactions together (the connection and the services), the revenues from installation/ connection fees are recognized over the length of the expected period of the commitment between the customer and HOT, in accordance with the services arrangement, as aforesaid.

Dividend income

Dividend income from investments that are classified as an available for sale financial asset is recognized at the determining date for entitlement to the dividend.

j. Taxes on income:

Taxes on income in profit or loss comprise current taxes and deferred taxes. The tax expenses in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are reflected directly in other comprehensive income or in equity. In such cases the tax effect is also reflected under the relevant other comprehensive income or equity item.

1. *Current taxes*

The current tax liability is determined using the tax rates and the tax laws that have been enacted or substantially enacted, as of the reporting date, as well as the adjustments that are required in connection with the tax liability in respect of previous years.

2. *Deferred taxes*

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the balance sheet date. The amount at which deferred taxes are stated in profit or loss represents the changes in the carrying amount of deferred tax balances during the

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

reporting period, excluding changes attributable to items recognized in other comprehensive income or in equity.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not expected that they will be utilized. Temporary differences (such as losses carried forward for tax purposes) for which deferred tax assets had not been recognized are reviewed at the end of each reporting period and a respective deferred tax asset is recognized to the extent that their utilization is expected.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Furthermore, deferred taxes that would apply in the event of the distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

All deferred tax assets and liabilities are presented in the balance sheet as non-current assets and non-current liabilities, respectively. Deferred taxes are set-off if an enforceable legal right exists, which enables the setting-off of a current tax asset against a current tax liability and the deferred taxes relate to the same entity, which is chargeable to tax, and to the same tax authority.

k. Leasing:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles set in IAS 17.

The group as a Lessee

1. Financing leasing:

Assets, where substantially all of the risks and the benefits that are incidental to ownership of the leased asset have been transferred to the Group are classified as financing leases. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The leased asset is amortized over the shorter of its useful life or the lease term.

2. Operating leases:

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

l. Fixed assets:

Fixed asset items are presented at cost with the addition of direct purchase costs and less accumulated depreciation, accumulated impairment losses and investment grants that have been received and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that are used in connection with the fixed assets. A fixed asset component with a cost that is significant in relation to the total cost of the item is depreciated separately, under the components method.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

	%
Buildings	2 - 4 (primarily 2%)
Cables network	5 - 25
Call center (primarily electronic equipment)	11 - 20
Converters and modems	14
Computers and ancillary equipment	15 - 33
Office furniture and equipment	6 - 15
Leasehold improvements	10
Communication network infrastructure	6 - 15

Leasehold improvements are depreciated in accordance with the straight line method over the shorter of the period of the rental (including the option period for an extension by the Group, which it intends to exercise) or the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of fixed assets, see N below.

Depreciation of an asset is halted at the earlier of the time that the asset is classified as held for sale and the time that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the de-recognition of the asset is included in profit or loss when the asset is derecognized.

m. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. After initial recognition, intangible assets are measured at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with a finite useful life are amortized over their useful life and tested for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in profit or loss.

Goodwill

Goodwill represents the surplus of the acquisition cost over the estimated fair value of the tangible and intangible assets, after deducting the fair value of the liabilities that have been acquired by the Company.

Customer relationships

Customer relations—this intangible asset was evaluated on the basis of the fair value of the existing customers in accordance with the contacts with them, in accordance with the excess earnings method for multiple periods. The amortization period for customer contacts is 7 - 14 years under the straight line method, as detailed above.

Customer relationships with a defined contractual term

This intangible asset was estimated under the purchase of HOT Mobile shares based on the cash flows expected from existing orders or signed agreements of existing customers according to the

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

excess earning method for multiple periods. The amortization period for this asset is 3 years according to the capitalized estimated number of years, based on the existing agreements data.

Brand name

The ''HOT'' brand and ''Mirs'' brand—this intangible asset was evaluated in accordance with the relief ''exempt from royalties'' method, which constituted the implementation of the income approach in the evaluation of the fair value of the assets. The amortization period for the brand name is 15 years under the straight line method for HOT and 5 years for Mirs.

Backlog of contracts

Backlog of contracts—this intangible asset was evaluated within the framework of the business combination that took place on March 16, 2011 on the basis of the cash flows that are expected as the result of the acquisition, which derive from orders that existed of signed contracts, with the addition of an appropriate profit margin, in accordance with the excess earnings method for multiple periods.

Subscriber acquisition costs

HOT Group has an intangible asset that was created in respect of the costs of the purchase of subscribers. Additional direct sales commissions, which are paid in respect of sales to subscribers, who have made a commitment to the marketer to remain customers of HOT's services, are recognized as an intangible asset up to the amount of the maximum fine that exists in respect of their commitment. The amortization expenses in respect of the purchase of subscribers are recorded in the statement of comprehensive income over the length of the average contractual commitment of the subscribers.

Software

The Group's assets include computer systems that contain both software and hardware. Software that constitutes an integral part of the hardware, which cannot operate without the software that is installed therein, is classified as fixed assets. By contrast, licenses from stand-alone software which add additional functionalities for the hardware are classified as intangible assets.

HOT Mobile license

HOT Mobile has a general license to provide cellular phone services in a cellular network. In February 2003, the license period was updated and extended for 15 years. The license is amortized using the straight line method over its useful lives under the license period set forth in the agreement.

Rights to screen movies and programs

The cost includes the amounts of the commitments with suppliers of rights to screen movies and television programs, with the addition of direct costs that have been expended in order to adapt the movies and the programs for screening in Israel.

Rights to use content, which have been made available to a fully consolidated company. are recorded under this item. The cost of the rights is amortized on the basis of the actual screenings, with a relatively higher weighting being given to the first screening.

n. Impairment in the value of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

Goodwill in respect of subsidiaries

The Company reviews goodwill for impairment once a year as of December 31 or more frequently if events or changes in circumstances indicate that there is impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

o. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

a) Financial assets at fair value through profit or loss:

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

b) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

c) Available-for-sale financial assets:

The HOT Group has available-for-sale financial assets that are (non-derivative) financial assets that are designated as available for sale or are not classified in any of the preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is recognized in profit or loss. Revenues from dividends from investments in equity instruments are recognized when the right to receive the dividends is established.

2. Financial liabilities:

All liabilities are initially recognized at fair value. Loans are presented net of directly attributable transaction costs.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans, including bonds, are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method. The amortization of the effective interest is recognized in profit or loss in the line item, ‘‘financing’’.

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

3. Fair value:

The fair value of financial instruments that are traded in an active market is determined by reference to market prices at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow or other valuation models.

4. The offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5. De-recognition of financial instruments:

a) *Financial assets*

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) *Financial liabilities*

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Impairment of financial assets:

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

a) Financial assets carried at amortized cost:

Objective evidence of impairment exists when one or more events that have occurred after the initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate.

In subsequent periods, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

b) Available-for-sale financial assets:

For equity instruments classified as available-for-sale financial assets, which are capital instruments, the objective evidence includes a significant or prolonged decline in the fair value of the asset below its cost and evaluation of changes in the technological, market, economic or legal environment in which the issuer of the instrument operates.

p. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The following are the types of provisions that are recorded in the financial statements:

Legal claims

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic resources will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the impact of the value of time is significant, the provision is measured at its present value.

Warranty

The Group recognizes a provision for warranty in respect of products that have been sold. The warranty is restricted to technical malfunctions, which are defined by the Company and it does not include warranty as the result of the customer's damages.

q. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Post-employment benefits:

   The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

   The Group operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured at an actuarial evaluation, using the projected unit credit method. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on.

   In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies (''the plan assets''). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

   Since 2011, the Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

   Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

3. Other long-term employee benefits:

   The Group's net obligation in respect of other long-term employee benefits is calculated on the basis of an actuarial valuation and is in respect of the future benefit amount due to employees for services rendered in current and prior periods, taking the rate of expected salary increases into account. This amount of benefits is discounted to its present value.

   Actuarial gains and losses are fully recognized in profit or loss in the period in which they occur.

4. Termination benefits:

   Employee termination benefits are recognized as an expense when the Group has committed, without realistic possibility of withdrawal, to terminate employees before the normal retirement date according to a detailed formal plan. Benefits to employees in respect of voluntary retirement are provided for when the Group has offered the employees a plan that encourages voluntary redundancy, it is expected that the offer will be accepted and the number of respondents can be reliably measured.

r. Share-based payment transactions:

Up to December 27, 2012, certain HOT's employees were entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in HOT's share price (As from said time, HOT's shares have been removed from trading on the Stock Exchange and as a result, as from that time there are no share-based payment transaction in force of HOT).

Equity-settled transactions

The cost of equity-settled transactions with HOT's employees was measured at the fair value of the equity instruments granted at the time of the grant. The fair value is determined using an acceptable options pricing model.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award (''the vesting period'').

No expense is recognized for awards that do not ultimately vest. See also Note 27.

Cash-settled transactions

The cost of cash-settled transactions was measured at fair value on the grant date using an acceptable option pricing model. The fair value was recognized as an expense over the vesting period and a corresponding liability was recognized. The liability was re-measured at each reporting date until settled at fair value with any changes in fair value being recognized in profit or loss.

s. *Network set-up expenses:*

Costs in connection with advanced cellular services on a generation 3.9 GSM network, which was launched by HOT Mobile in May 2012, which include other operating costs, administrative and general expenses and selling and marketing expenses. Network set-up expenses of NIS 11 million and NIS 1 million have been recorded under other expenses in the year ended December 31, 2012 and in the period from November 28, 2011 to December 31, 2011, respectively.

NOTE 3:—SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

– The classification of leases:

In order to determine whether to classify a lease as a finance lease or an operating lease, the Group (the Company and the subsidiary company, including HOT's subsidiary companies) evaluates whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, HOT Group evaluates such criteria as the existence of a ''bargain'' purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

b. Estimates and assumptions:

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

– *Legal claims*

In estimating the likelihood of the outcome of legal claims filed against HOT Group, the company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

– *Impairment of goodwill*

The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows.

NOTE 3:—SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

– *Deferred tax assets*

Deferred tax assets are recognized for unexploited tax losses carried forward and for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

– *Post-employment benefits*

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and employee replacement rates. Uncertainty exists in respect of these estimates because the plans are long-term plans.

NOTE 4:—DICLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

IAS 1—Presentation of Financial Statements

In June 2011, the IASB issued an amendment to IAS 1 which requires that items which may be reclassified to profit or loss in a future period should be presented separately from items that will never be reclassified to profit or loss.

The Group will adopt the Amendment in its financial statements starting from the Amendment's effective date in 2013.

IAS 19 (Revised)—Employee Benefits

The IASB has published several changes to IAS 19, the principal of which are as follows:

- The re-measurement of the net defined benefit liability (formerly—actuarial gains and losses) are recognized in other comprehensive income and not in profit or loss.
- Income from the plan assets is recognized in profit or loss based on the discount rate used to measure the employee benefit liabilities.
- The distinction between short-term employee benefits and long-term employee benefits is based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

The Standard is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013, or thereafter. The impact of the implementation of the Standard on the Group's results is immaterial.

IAS 32—Financial Instruments: Presentation and IFRS 7—Financial Instruments: Disclosure

The IASB has issued certain amendments to IAS 32 (''the amendments to IAS 32'') regarding the offsetting of financial assets and liabilities. The amendments to IAS 32 clarify, among others, the meaning of ''currently has a legally enforceable right of set-off'' (''the right of set-off'').

The IASB has also issued amendments to IFRS 7 (''the amendments to IFRS 7'') regarding the offsetting of financial assets and financial liabilities.

The amendments to IAS 32 are to be applied retrospectively commencing from the financial statements for annual periods beginning on January 1, 2014, or thereafter. Earlier application is permitted. The amendments to IFRS 7 are to be applied retrospectively commencing from the financial statements for periods beginning on January 1, 2013, or thereafter.

The Group assesses that the amendments to IAS 32 are not expected to have a material impact on its financial statements.

NOTE 4:—DICLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Continued)

IFRS 9—Financial Instruments

1. IFRS 9 (''the Standard'') focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

   According to the Standard, all financial assets (including hybrid contracts with financial asset hosts) should be measured at fair value upon initial recognition. In subsequent periods, debt instruments should be measured at amortized cost only if both of the following conditions are met:

   – the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows that derive from them.

   – the contractual terms of the financial asset give rise on specified dates to cash flows for the Company, which are solely payments of principal and interest on the principal amount outstanding.

   Subsequent measurement of all other debt instruments and financial assets should be at fair value.

   Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income, in accordance with the choice of the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they must be measured at fair value through profit or loss.

   The Standard is effective commencing from January 1, 2015. Earlier application is permitted.

2. Amendments have been issued regarding de-recognition and regarding financial liabilities. In accordance with those amendments, the provisions of IAS 39 will continue to apply to de-recognition and to financial liabilities for which the fair value option has not been elected.

   Pursuant to the amendments, the amount of the adjustment to the liability's fair value that is attributed to changes in credit risk is to be presented under other comprehensive income. All other fair value adjustments are to be presented in profit or loss.

   The amendments are effective commencing from January 1, 2015. Earlier application is permitted provided that the Group also adopts the provisions of the Standard regarding the classification and measurement of financial assets (the assets stage).

IFRS 10, IFRS 11, IFRS 12, IFRS 13—Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities, Fair Value Measurement

The IASB has issued four new Standards: IFRS 10, ''Consolidated Financial Statements'', IFRS 11, ''Joint Arrangements'', IFRS 12, ''Disclosure of Interests in Other Entities'' (''the new Standards'') and IFRS 13, ''Fair Value Measurement'', and amended two existing Standards, IAS 27R (Revised 2011), ''Separate Financial Statements'', and IAS 28R (Revised 2011), ''Investments in Associates and Joint Ventures''.

The new Standards are to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter. Earlier application is permitted.

The new standards do not have a significant impact on the financial statements.

NOTE 5:—CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

a. Cash and cash equivalents:

	As of December 31,	
	2012	2011
	NIS in millions	
Cash available for immediate withdrawal	32	17

b. Restricted cash:

	As of December 31,	
	2012	2011
	NIS in millions	
Restricted cash	69	203

As of December 31, 2012 the cash is restricted for the purpose of collateralizing HOT's liabilities to banking entities.

NOTE 6:—TRADE RECEIVABLES

a. Comprise:

	As of December 31,	
	2012	2011
	NIS in millions	
Open debts	398	334
Income receivable	82	36
Credit cards	151	84
Checks receivable	4	4
Deferral of financing of long-term trade receivables (see Note 9)	(2)	(3)
	633	455
Less—provision for doubtful debts	84	94
Trade receivables, net	549	361
Includes—interested parties	—	1

b. Additional details:

1. See Note 22f in respect of the linkage terms for the customers.
2. The debts of HOT Mobile's customers, which are in arrears, are interests bearing.
3. Impairment in the value of customers' debts is treated by means of the recording of an allowance for doubtful accounts.

NOTE 6:—TRADE RECEIVABLES (Continued)

c. The movement in the allowance for doubtful accounts is as follows:

	Total
	NIS in millions
Balance at January 1, 2012	94
Charge for the year	16
De-recognition of bad debts	(26)
Balance at December 31, 2012	84
Balance at January 1, 2011	—
Amounts added for newly consolidated companies	90
Charge for the year	9
De-recognition of bad debts	(5)
Balance at December 31, 2011	94

d. The following is an analysis of customers' balances (open debts and income receivables) in respect of which no full impairment in value (provision for doubtful debts) has been recorded, net trade receivables by period of arrears in collection as of the balance sheet date:

	Trade receivables settlement date has not yet been reached	30 – 90 days	90 days or more	Total
		NIS in millions		
December 31, 2012	328	14	52	394
December 31, 2011	205	20	48	273

NOTE 7:—OTHER RECEIVABLES

a. Comprise:

	December 31,	
	2012	2011
	NIS in millions	
Institutions	19	18
Prepaid expenses and income receivable	29	26
Income receivable in respect of financial derivatives	1	21
Others	14	14
	63	79

b. See Note 22f in respect of the linkage terms for the other receivables.

NOTE 8:—INVENTORY

	December 31,	
	2012	2011
	NIS in millions	
Mobile Phones	25	26
Accessories	4	4
Spare parts	3	3
	32	33
Less: provision for inventories Impairment	(5)	(9)
	27	24

NOTE 9:—LONG-TERM TRADE RECEIVABLES

The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its present value, as discounted using to an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables (which amounted to NIS 87 million as of December 31, 2012).

NOTE 10:—INVESTMENTS IN FINANCIAL ASSET AVAILABLE FOR SALE

	As of December 31,	
	2012	2011
	NIS in millions	
Regular marketable shares	28	42

Additional details:

1. As of December 31, 2012, HOT, through HOT Net Internet Services Ltd. (formerly: HOT Investments and Financing Ltd.) (hereinafter—HOT Net), holds 1,459,926 regular shares in the company Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0.9% of Partner's share capital, which is engaged in the provision of cellular communications services, and whose shares are traded on stock exchanges in the United States, London and Israel.

   Partner's shares are subject to the Israeli restrictions, in accordance with the mobile radio-telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli party, as defined in the said license.

   During the reporting period, Hot Net received a dividend of NIS 2 million from Partner, which was recorded under other income (in 2011 and 2010 HOT Net received dividends of NIS 6 million and NIS 25 million, respectively, from Partner).

2. The Company presents its investment in Partner as an investment in an available for sale financial asset that is measured at fair value (less a discount, which in the opinion of HOT's management reflects the value of the Israel restriction, as aforesaid in section 1 above). Changes in the fair value, net of tax, are reflected under other comprehensive income, in a reserve for available for sale financial assets. At the time of the disposal of the investment or in the event of impairment in value, the other comprehensive income (loss) is recognized in profit or loss. In the reported period the company recorded an impairment amount of NIS 27 million as finance expense and an amount of NIS 7 million as tax benefit.

NOTE 11:—INVESTMENTS IN COMPANY

	December 31,	
	2012	2011
	NIS in millions	
Details of previous investments (directly held by the Company):		
Shares	2,206	2,206
Revaluation of the investment following achieving significant influence control	662	662
Non-controlling interests	46	1,752
	2,914	4,620
Goodwill recorded	2,353	2,957

NOTE 12:—LOAN TO RELATED PARTY

The loan was granted to Altice Financing S.A. on December 27, 2012. The loan bears interest of 14.47% which will be paid every six months, the principal amount is due to on December 15, 2019.

NOTE 13:—OTHER LONG-TERM RECEIVABLES

	December 31,	
	2012	2011
	NIS in millions	
Right to broadcast film and programs	107	69
Prepaid expenses[1]	—	20
Deferred marketing expense	2	9
Employee benefit assets, net[2]	4	5
Other	2	—
	115	103

[1] See Note 20a.

[2] Composition of assets in respect of employee benefits:

	As of December 31, 2012
	NIS in Millions
Liabilities in respect of a defined benefits plan	(10)
Fair value of the plan assets	15
	5
Less liability in respect of early retirement grants	(1)
Total assets, nets	4

NOTE 14:—FIXED ASSETS

a. Composition and Movement:

For 2012

	vehicles	Leasehold improvements	Office furniture and equipment	Computers and ancillary equipment	Converters and modems	Call center (primarily electronic equipment	Communication and Cables network infrastructure	Buildings	Network infrastructure	Total
					NIS in millions					
Cost										
Balance at January 1, 2012	3	93	14	47	845	379	3,037	21	—	4,439
Additions during the year	1	23	4	30	344	128	288	38	273	1,129
Disposals during the year	—	—	—	—	(16)	—	(2)	—	—	(18)
Balance at December 31, 2012	4	116	18	77	1,173	507	3,323	59	273	5,550
Accumulated depreciation										
Balance at January 1, 2012	(1)	(13)	(1)	(9)	(110)	(63)	(227)	(1)	—	(425)
Additions during the year	(2)	(15)	(4)	(33)	(202)	(101)	(313)	(1)	(64)	(735)
Impairment recorded during the year	—	—	—	—	15	—	2	—	—	17
Balance at December 31, 2012	(3)	(28)	(5)	(42)	(297)	(164)	(538)	(2)	(64)	(1,143)
Depreciated cost at December 31, 2012	1	88	13	35	876	343	2,785	57	209	4,407

For 2011

	vehicles	Leasehold improvements	Office furniture and equipment	Computers and ancillary equipment	Converters and modems	Call center (primarily electronic equipment	Communication and Cables network infrastructure	Buildings	Total
					NIS in millions				
Cost									
Balance at January 1, 2011	—	—	—	—	—	—	—	—	—
Addition for newly consolidated companies	3	90	13	30	709	309	2,849	21	4,024
Additions during the year	—	3	1	17	146	70	188	—	425
Disposals during the year	—	—	—	—	(10)	—	—	—	(10)
Balance at December 31, 2011	3	93	14	47	845	379	3,037	21	4,439
Accumulated depreciation									
Balance at January 1, 2011	—	—	—	—	—	—	—	—	—
Additions during the year	(1)	(13)	(1)	(9)	(119)	(63)	(227)	(1)	(434)
Disposals during the year	—	—	—	—	9	—	—	—	9
Balance at December 31, 2011	(1)	(13)	(1)	(9)	(110)	(63)	(227)	(1)	(425)
Depreciated cost at December 31, 2011	2	80	13	38	735	316	2,810	20	4,014

a. The real estate assets are assets that are owned by HOT, which are presented at non-discounted amounts.

b. Assets exist in HOT Group, which has been wholly depreciated and which are still operational. HOT Group is unable to estimate the original cost of the said assets, inter alia, because of the outline of the legal merger between the cables companies in 2006.

In 2012 HOT Group removed fully depreciated fixed assets not being used by HOT in an amount of NIS 18 million

c. See Note 24(2)(c) in respect of liabilities in respect of finance leasing.

d. See Note 26c in respect of liens.

e. See Note 26b(5) in respect of commitments for the purchase of fixed assets.

NOTE 15:—GOODWILL AND INTANGIBLE ASSETS

a. Composition and Movement:

For 2012

	Software	Customer relations	HOT Mobile license	Brand name	Backlog of contracts	Subscriber purchase costs	Goodwill	Leases	Other	Total
					NIS in millions					
Cost										
Balance at January 1, 2012	157	1,364	47	133	351	99	3,164	2	1	5,318
Additions during the year	132	—	17	—	—	104	—	—	2	255
Disposals during the year	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2012	289	1,364	64	133	351	203	3,164	2	3	5,573
Accumulated depreciation										
Balance at January 1, 2012	(34)	(82)	—	(7)	(74)	(39)	—	—	—	(236)
Additions during the year	(82)	(118)	(3)	(11)	(127)	(125)	—	—	(1)	(467)
Disposals during the year	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2012	(116)	(200)	(3)	(18)	(201)	(164)	—	—	(1)	(703)
Impairment	—	—	—	—	—	—	(604)	—	—	(604)
Depreciated cost at December 31, 2012	173	1,164	61	115	150	39	2,560	2	2	4,266

For 2011

	Software	Customer relations	HOT Mobile license	Brand name	Backlog of contracts	Subscriber purchase costs	Goodwill	Leases	Other	Total
					NIS in millions					
Cost										
Balance at January 1, 2011	—	—	—	—	—	—	—	—	—	—
Addition for newly consolidated companies	94	1,364	46	133	351	85	3,164	2	2	5,241
Additions during the year	63	—	1	—	—	14	—	—	—	78
Disposals during the year	—	—	—	—	—	—	—	—	(1)	(1)
Balance at December 31, 2011	157	1,364	47	133	351	99	3,164	2	1	5,318
Accumulated depreciation										
Balance at January 1, 2011	—	—	—	—	—	—	—	—	—	—
Additions during the year	(34)	(82)	—	(7)	(74)	(39)	—	—	—	(236)
Balance at December 31, 2011	(34)	(82)	—	(7)	(74)	(39)	—	—	—	(236)
Depreciated cost at December 31, 2011	123	1,282	47	126	277	60	3,164	2	1	5,082

Impairment of goodwill and intangible assets with a definite useful life:

In order to test the impairment of goodwill and intangible assets with a definite useful life, the goodwill, brand name, customer relationships and customer relationships were allocated to operating segments that represent three cash-generating units as follows:

- Telecom.
- Broadcasting.
- Cellular.

NOTE 15:—GOODWILL AND INTANGIBLE ASSETS (Continued)

As of December 31, 2012, the carrying amount of the intangible assets allocated to each cash-generating unit as above (each representing an operating segment) is as follows:

	Cellular		Telecom		Broadcast		Total	
	As of December 31							
	2012	2011	2012	2011	2012	2011	2012	2011
	NIS in millions							
Goodwill	207	207	1,749	2,353	604	604	2,560	3,164
Brand name	5	8	75	79	36	39	116	126
Customer relations	153	166	773	842	237	274	1,163	1,282
Customer relationships with defined contractual period	60	84	62	151	28	42	150	277

The Company has determined the value in use of each cash generating unit, with the assistance of an external appraiser, and as a result of this valuation the Company concluded that the recoverable amount of the in-country fixed line communication segment is lower than its carrying amount and accordingly recorded in the reporting period an impairment of approximately NIS 604 million which was recorded as part of section ‘‘other expenses’’ (NIS 418 million is allocated to equity holders of the Company). For the other two cash generating units no impairment was recorded.

The following are the main assumptions that were used in the measurement of the recoverable amounts as of September 30, 2012:

Telecom

The recoverable amount of the In Country fixed-line telecommunications segment was determined based on the value in use, which was calculated in accordance with the estimated future cash flows, which are expected from the cash generating unit, which were determined in accordance with the plans for the next five years, as of September 30, 2012. The weighted cost of capital (WACC) was 10%. The cash flows for the period exceeding five years from that date were estimated used a fixed growth rate of 1.5%.

Broadcasting

The recoverable amount of the cable television cash generating unit was determined based on the value in use, which was calculated in accordance with the estimated future cash flows, which are expected for the segment, which were determined in accordance with the plans for the next five years, as of September 30, 2012. The weighted cost of capital (WACC) was 10%. The cash flows for the period exceeding five years from that date were estimated used a fixed growth rate of 1%.

Cellular

The recoverable amount of the cellular communication cash generating unit was determined based on the value in use, which was calculated in accordance with the estimated future cash flows, which are expected for the segment, which were determined in accordance with the plans for the next five years, as of September 30, 2012. The weighted cost of capital (WACC) was 11%. The cash flows for the period exceeding five years from that date were estimated used a fixed growth rate of 2%.

NOTE 15:—GOODWILL AND INTANGIBLE ASSETS (Continued)

The key assumptions that were used in the calculation of the value in use in each cash generating unit

The calculation of the value in use, for the In Country fixed-line telecommunications, the cable television and the cellular communication unit, is subject to changes in the following assumptions:

- Revenues.
- Operating expenses.
- Selling and marketing expenses.
- Administrative and general expenses.
- Investments.
- The weighted cost of capital.
- Long-term growth.

Revenues—The level of revenues is derived from changes in the number of subscribers and changes in the average revenues per subscriber over the length of the period of the forecast.

Operating expenses—The operating expenses (excluding depreciation expenses) are primarily fixed and semi-fixed, with the most pronounced expenses being content expenses, salary expenses and network maintenance expenses.

Selling and marketing expenses—Selling and marketing expenses primarily include salary expenses and advertizing and marketing expenses.

Administrative and general expenses—Administrative and general expenses are primarily fixed.

The weighted cost of capital—The real capitalization rate used in the In Country fixed-line telecommunications and the Cable television segments is 10% after tax and in the Cellular communication segment is 11% after tax. The capitalization rate reflects equity of 8.8% and 11.8%, respectively, interest rate on the debt of 6% and 7%, respectively, and leverage rate of 23% and 59%, respectively.

Long-term growth—Average long term growth for the three cash generating units is 1.5% per year.

NOTE 16:—CREDIT FROM FINANCIAL INSTITUTIONS AND CUURENT MATURITY OF DEBENTURES

a. Composition:

	December 31	
	2012	2011
	NIS in millions	
Short-term credit from financial institutions	—	595
Current maturities of long-term loans from financial institutions and debentures (see Note 20)	125	183
	125	778

b. See Note 20 regarding the Group debentures issuance banks and related covenants.

c. See Note 22f in respect of the linkage terms for the Short-term credit from financial institutions.

d. See Note 26(2) on the subject of collateral.

NOTE 17:—TRADE PAYABLES

a. Composition:

	December 31	
	2012	2011
	NIS in millions	
Open debts	764	645
Accrued expenses in respect of suppliers	293	171
Checks payable	5	—
	1,062	816
Including interested parties	1	21

b. Debts to suppliers are non-interest bearing. The average number of days of credit from suppliers is 99 days (as of December 31, 2011—92 days).

c. See Note 22f on the subject of the linkage terms of the trade payables.

d. During 2012 HOT entered into a commitment with a supply under discounting transactions for suppliers, amounting to NIS 216 million (the balance of which was NIS 87 million as of December 31, 2012). The balance of the debt has been classified as a supplier's balance under trade payables, in the light of the terms of the commitment.

NOTE 18:—OTHER PAYABLES

Composition:

	December 31	
	2012	2011
	NIS in millions	
Liabilities to employees and other liabilities for salaries and wages[1]	102	122
Current maturities of liabilities to the government and other long-term liabilities[2]	209	79
Current maturity of deferred installation fees	18	15
Interest payable	25	39
Royalties to the Israeli government	17	25
Advances from customers	7	7
Forward contracts	14	—
Others	40	51
	432	338

[1] Including the provision of vacation and recuperation pay.

[2] See Note 24.

See Note 22f on the subject of the linkage terms of the other payables.

NOTE 19:—PROVISION FOR LEGAL CLAIMS

	December 31,	
	2012	2011
	NIS in millions	
Balance at January 1	187	—
Amounts added for newly consolidated companies	—	318
Amounts provided	9	1
Amounts paid	(108)	(4)
Amounts cancelled	(11)	(128)
Balance at December 31	77	187

NOTE 20:—LOANS FROM FINANCIAL INSTITUTIONS AND DEBENTURES

a. Loans from financial institutions:

All of the loans from financial institutions were repaid on December 2012. Financing expenses of NIS 81 million were recorded as a result of the repayment of the existing financing from the banking entities, in respect of the writing off of re-organization costs attributed to the loan and early repayment commissions.

Composition as of December 31, 2011:

	Amount of principal	Dominated interest rate	Effective interest rate	Balance	Balance less current maturities
	NIS in millions	%	%	NIS in millions	
Loans from financial institutions (unlinked)	1,562	5.65-7.25	6.52	1,562	1,438
Less balance of credit discount expenses	(7)			(7)	(5)
	1,555			1,555	1,433

b. Debentures:

1. Composition:

	As of December 31	
	2012	2011
	NIS in millions	
Debentures	1,462	1,514
Less—balance of deferred issuance expenses	(11)	(14)
	1,451	1,500

3. Repayment periods after the reporting date:

	As of December 31	
	2012	2011
	NIS in millions	
During the first year—current maturities	127	63
During the second year	127	126
During the third year	127	126
During the fourth year	127	126
During the fifth year and thereafter	954	1,073
Less—balance of deferred issuance expenses	(11)	(14)
	1,451	1,500

NOTE 20:—LOANS FROM FINANCIAL INSTITUTIONS AND DEBENTURES (Continued)

4. Additional details in respect of the bonds:

Series	Date of the issue of the bonds	Par value	Interest and linkage terms	Repayment terms	Collateral	Rating
A	30/3/2011	NIS 825 million	Linked to the Consumer Prices Index as of 2/2011, bearing interest at a rate of 3.9% a year.	13 semi-annual payments from 9/2012 to 30/9/2018	With no lien whatsoever	Midroog—A1 with a stable outlook
B	30/3/2011	NIS 675 million	Interest at a fixed rate of 6.9% a year	13 semi-annual payments from 9/2012 to 30/9/2018	With no lien whatsoever	Midroog—A1 with a stable outlook

3. Financial covenants were set within the framework of the issue of the bonds, the breach of which could, under certain conditions, lead to the immediate repayment of the bonds, as follows:

   1) HOT's debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters.

   2) A distribution of a dividend at a time at which HOT is exceeding a debt to EBITDA ratio of 5.5

As of December 31, 2012 HOT was in compliance with all of the required financial covenants.

NOTE 21:—LOANS FROM RELATED PARTY

a. *Loan to HOT from related party*

On December 27, 2012 HOT entered into a commitment under a loan agreement (hereinafter—The agreement) for the refinancing of the banking credit with credit to be executed through Altice Financing S.A. (''Altice Financing''), a company that is related to the ultimate controlling interest of HOT. The refinancing includes the issuance of a series of bonds to Altice financing by HOT with a par value of NIS 1.9 billion (bearing interest at a rate of 6.3% a year), which was used by HOT in order to repay the banking credit that existed at that time, as well as the making available of a credit facility of up to NIS 320 million to HOT in accordance with a credit facility agreement.

The main terms of the loan

Repayment terms

The principal is to be repaid on one settlement date during the course of the year 2019.

1. The interest is to be paid twice a year, as from the year 2013.

2. In the event of the breach of HOT's commitments under the loans agreement, excess interest will be added to the interest chargeable at a rate of 2.75% a year on the arrears.

3. The loan can be made repayable immediately, subject to a period in which the faults can be repaired, for some of the events, if the following principle events occur: (1) the non-payment of interest, which continues for in excess of 30 days of the date set for its payment; (2) the non-execution of the payment of the principal on the date set for the payment; (3) a breach of the commitments of the subsidiary companies that have provided a guarantee, which has not been repaired within 30 days from the date on which notice is delivered by Altice Financing; (4) a breach of any of the other commitments by HOT or its subsidiary companies, which has not been repaired within 60 days of the date on which notification is delivered; (5) the making of any debt of HOT Group (and/or the entities in HOT Group) repayable immediately by a third party in a cumulative amount of 20 million Dollars or more; and also (6) the handing down of a judgment that requires the HOT Group (and/or the entities in HOT Group) to pay a cumulative amount in excess of 20 million US Dollars, except for amounts that are covered by an insurance

NOTE 21:—LOANS FROM RELATED PARTY (Continued)

company, and the non-execution of a payment by the Company within a period of 60 days from the time of the judgment.

Guarantees and collateral

HOT's subsidiary companies, except for HOT Mobile Ltd. and Non-Stop Ventures Ltd. are guarantors for HOT's liabilities to Altice Financing. As collateral for the liabilities of the Company and its subsidiary companies, all of the Group's assets have been charged in favor of Altice Financing under a floating charge and all of HOT shares in the subsidiary companies, which are guarantors, including the shares in HOT Mobile Ltd.

Sundry commitments and restrictions

1. In the event of a change in control in HOT, as defined in the agreement, Altice Financing will be entitled to make the loan and the accumulated interest repayable immediately, with the addition of a premium in an amount that is equivalent to 1% of the amount of the principal.
2. In the event of the sale of assets by HOT and/or its subsidiary companies, in a cumulative amount of 30 million US Dollars or more, and in so far as the receipts from the sale are not invested by HOT, HOT will be required to offer an early repayment of the loan, or part thereof, to Altice Financing, unless within a period of one year from the time of the sale of the assets HOT has made use of the receipts for the purpose of investment or in the event that a commitment has been made to invest the funds by HOT within a year and a half.
3. HOT and its subsidiary companies will be required to comply with financial covenants, which include restrictions on the recruitment of additional debt, except for: (a) debt for any purpose, in an amount up to the higher of 75 million Dollars or 4% of the overall assets of HOT, its subsidiary companies and Altice Financing, as well as (b) bank debt, by way of credit facilities up to the higher of 80 million US Dollars and 4% of the total assets.

The main terms of the credit facility agreement

1. The objective of the credit facility is to finance HOT Group's operating activities.
2. Any amount that is drawn down on the credit facility will bear interest at an annual rate of Prime with the additional of a margin of 1.1% a year.
3. The interest will be paid twice a year until the full repayment of the credit facility.
4. The balance of the principal of the credit loans is to be repaid in 2017.
5. In the event of the breach of the commitments of the Company and/or the subsidiary companies that provide a guarantee, excess interest will be added to the interest on the credit facility.

b. *Loan from related party to the Company and H. Hadaros 2012 Ltd.*

On December 27, 2012 the Company entered into a commitment under a loan a agreement (hereinafter—the agreement) for the refinancing of the banking credit with credit to be executed through Altice Financing S.A (hereinafter—Altice Financing), a company that is related to the controlling interest of the Company. The refinancing includes the issuance of a series of bonds to Altice Financing by the Company with a par value of NIS 1,052 millions, bearing interest at a rate of 14.47% a year, which was used by the Company in order to replay its banking credit that existed as that time and related bank commissions as a result of the refinance described above.

On December 27, 2012 H. Hadaros 2012 Ltd. entered into commitment under a loan agreement (hereinafter—the agreement) for the purchase of HOT's share that were held by the public in an amount of NIS 956 millions, with credit to be executed through Altice Financing loan includes the issuance of a series of bonds to Altice Financing by Hadaros in an amount of NIS 956 millions bearing interest at a rate of 14.47% a year.

NOTE 21:—LOANS FROM RELATED PARTY (Continued)

The main terms of the loan described above

Repayment terms

The principal is to be repaid on one settlement date during the course of the year 2019.

1. The interest is to be paid twice a year, as from the year 2013.
2. The Company and H. Hadaros 2012 Ltd. may elect, at its own option, without the consent of Altice Financing, to capitalize and add to the principal amount of the loans during the interest period, subject to the terms described in the agreements.

Guarantees and collateral

1. On behalf of the Senior Secured Notes issued by Altice Financing, it was determined that the Senior Secured Notes will be secured on a first—ranking basis, by (and not only):
   a) Pledges over the shares held by the Company and H. Hadaros 2012 Ltd. of HOT shares.
   b) Pledges over the shares of the Company held by Altice 7.
   c) Pledges over the bank accounts and all receivables of the Group.
   d) Pledges over the share holder loan (see also Note 30).
2. On behalf of the Senior Notes issued by Altice Finco S.A (a sister company of the Company), it was determined that the Senior Secured Notes will be secured on a first—ranking basis, by (and not only) the Company and H. Hadaros 2012 Ltd. as following:
   a) Second ranking pledges over the shares of the Company.
   b) Second ranking pledge over the share holders loan (see also Note 30).

Sudry commitments and restrictions:

The loan agreements determine a list of event of defaults which will lead to earlier repayment. See also section A above.

NOTE 22:—FINANCIAL INSTRUMENTS

a. The classification of the financial assets and the financial liabilities:

The following is the classification of the financial assets and the financial liabilities in the balance sheet for the groups of financial instruments, in accordance with IAS 39:

	December 31	
	2012	2011
	NIS in millions	
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets classified as held for trade	2	25
Loans and receivables	850	494
Available for sale financial asset	28	42
Financial liabilities		
Financial liabilities that are measured at amortized cost	6,897	6,036
Financial liabilities at fair value through profit or loss:		
Financial liabilities that are classified as held for trade	378	363

NOTE 22:—FINANCIAL INSTRUMENTS (Continued)

b. Financial risk factors:

HOT Group's operations expose it to various financial risks, such as market risks (foreign currency risk, Consumer Prices Index risk, interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on activity undertaken to minimize the possible negative impact on the Group's financial performance. The Group uses derivative financial instruments in order to hedge certain exposures to risk.

The risk management is performed by HOT's Chief Financial Officer, in accordance with policies that have been approved by HOT Board of Directors. HOT's Chief Financial Officer evaluates and hedges financial risks in cooperation with HOT Group's operating units. HOT Board of Directors provides principles for the overall management of the risks.

Market risks:

1. Exchange rate risk:

HOT Group operates with various suppliers across the globe and it is exposed to exchange rate risk, which derived from the exposure to various currencies, primarily the US Dollar, The exchange rate risk derives from HOT's futures transactions and from liabilities that have been recognized and which are denoted in foreign currency, which is not the functional currency.

HOT's management takes measures to hedge some of the futures transactions in US Dollars (other than for the purposes of accounting hedging), based on budgetary data, and this subject to the terms of the agreements with the financial institutions.

2. Israeli CPI risk:

As of December 31, 2012 and 2011 HOT Group has bonds that have been issued and other long-term liabilities that are linked to the Israeli Consumer Prices Index.

The net amount of the financial instruments that are linked to the Consumer Prices Index and in respect of which the Group has an exposure to the Consumer Prices Index, consists of financial liabilities of NIS 1,216 million as of December 31, 2012 (December 31, 2011—NIS 2,412 million).

3. Interest risk:

As of December 31, 2011 HOT Group had an exposure to risk in respect of changes in the market interest rates in respect of long-term loans that had been received and which bore interest at a variable rate. The mix of the loans at variable and/or fixed interest rates is partially determined within the framework of the agreement with the financial institutions.

The following are details in respect of the types of interest of the Group's interest-bearing financial instruments:

	Year ended December 31	
	2012	2011
	NIS in millions	
Fixed interest instruments		
Financial liabilities	5,601	4,009
Variable interest instruments		
Financial liabilities	—	1,002

4. Price risk:

HOT Group has investments in financial instruments, which are marketable on the Stock Exchange, which are classified as an available for sale financial asset that is measured at fair

NOTE 22:—FINANCIAL INSTRUMENTS (Continued)

value through other comprehensive income, in respect of which HOT Group is exposed to risk in respect of fluctuations in the price of the security, which is primarily determined on the basis of market prices on the Stock Exchange. The balance of these investments as recorded in the financial statements as of December 31, 2012 is NIS 28 million (December 31, 2011—NIS 42 million).

5. Liquidity risk:

Within the framework of HOT's loan agreement and the terms of the bond that has been recruited by HOT (as described in Notes 20 and 21), HOT and HOT Mobile have financial covenants and various restrictions that they must comply with on a quarterly basis, and the breach of which, as defined in the agreement, could lead to the credit that has been made available by the lenders repayable immediately.

6. Credit risk:

HOT Group has no significant concentrations of credit risk. Credit risk might arise from exposures in respect of commitments under a number of financial instruments with one body or as a result of a commitment with a number of groups of debtors having similar economic characteristics, whose ability to meet their commitments is expected to be affected similarly by changes in the economic or other conditions. Characteristics that might cause a concentration of risk include the significance of the activities in which the debtors are engaged, such as the branch in which they operate, the geographical region in which they operate and the level of their financial stability.

HOT Group provides services to its customer under credit terms of 40 days on average. The managements of HOT Group companies routinely evaluate the credit that has been extended to its customers, whilst checking their financial situation, however it does not demand collateral to secure those debts. HOT records a provision for doubtful debts, based on the factors that affect the credit risk pertaining to specific customers, past experience and other information.

HOT's income derives from customers in Israel. HOT Group routinely monitors customers' debts and a provision for doubtful debts is recorded in the financial statements, which in HOT's opinion, provides a fair reflection of the loss that is inherent in debts whose collection lies in doubt.

HOT Group does not have any significant concentrations of credit risk, because of HOT's policy, which ensures that the sales are mostly executed against standing orders or by means of credit cards.

NOTE 22:—FINANCIAL INSTRUMENTS (Continued)

c. Concentration of liquidity risk:

The following table presents the repayment times of the Group's financial liabilities in accordance with their contractual terms in non-discounted numbers:

	Up to 3 months	From 3 months to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
				NIS in millions				
As of December 31, 2012								
Other payables	180	—	—	—	—	—	—	180
Trade payables	1,062	—	—	—	—	—	—	1,062
Current account with a related party	70	—	—	—	—	—	—	70
Debentures (including current maturities)	90	129	193	187	180	174	858	1,811
Loan from a related party	—	411	411	411	411	411	4,728	6,783
Other long-term liabilities (including current maturities)(*)	23	200	263	50	26	9	712	1,283
	1,425	740	867	648	617	594	6,298	11,189
As of December 31, 2011								
Credit from financial institutions	295	302	—	—	—	—	—	597
Other payables	192	—	—	—	—	—	—	192
Trade payables	803	—	—	—	—	—	—	803
Loans from financial institutions	50	183	206	245	281	271	712	1,948
Debentures	40	122	199	192	185	178	1,024	1,940
Other long term payables	23	66	232	152	117	77	40	707
Subordinated loan from controlling shareholders(*)	—	1,096	—	—	—	—	—	1,096
	1,403	1,769	637	589	583	526	1,776	7,283

(*) Payments of NIS 136 million, NIS 179 million, NIS 21 million and NIS 6 million in the years 2013, 2014, 2015 and 2016, respectively, have been assumed in respect of conditional consideration, based on the most common scenarios that are inherent in the value of the estimated conditional consideration in respect of the acquisition of shares in HOT Mobile.

d. The fair value of financial instruments that are presented in the financial statements other than in accordance with their fair values:

	Balance	Fair Value		
	December 31			
	2012	2011	2012	2011
		NIS in Millions		
Financial liabilities				
Long-term loans from financial institutions at variable interest rates (including current maturities)(*)	—	713	—	720
Debentures at fixed rate interest (including current maturities)	1,470	1,520	1,541	1,527
Liabilities to the government and other long-term liabilities at fixed interest rates (including current maturities)	220	245	227	247
Total *Financial liabilities*	1,690	2,478	1,768	2,494

The fair value is estimated based on recent market transactions between unrelated parties.

NOTE 22:—FINANCIAL INSTRUMENTS (Continued)

The balance of cash and cash equivalents, restricted cash, trade receivables, other receivables, long-term trade receivables, credit from financial institutions, trade payables, other payables and of a loan from a related party in the financial statements accords with or approximates to their fair value.

e. Sensitivity tests in respect of a change in market factors:

1. Sensitivity tests for changes in the exchange rate of the Dollar:

	Gain (loss) from the change	
	Increase of 10% in the exchange rate	Decrease of 10% in the exchange rate
	NIS in millions	
2012	20	(20)
2011	22	(22)

2. Sensitivity tests for changes in the Consumer Prices Index:

	Gain (loss) from the change	
	Increase of 2.5% in the index	Decrease of 2.5% in the index
	NIS in millions	
2012	(30)	30
2011	(29)	29

3. Sensitivity tests for changes in the price of available for sale securities on the Stock Exchange:

	Change in equity before tax	
	Increase of 20% in the security price	Decrease of 20% in the security price
	NIS in millions	
2012	6	(6)
2011	9	(9)

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount outstanding as of the balance sheet date was outstanding throughout the entire reporting year.

The changes that have been selected as the relevant risk variables have been determined in accordance with management's assessment in respect of the changes in those risk variables that are reasonably possible.

The Group has performed sensitivity testing for the main market risk factors that could affect the reported operating results or the financial position. The sensitivity tests present the gain or loss and/or the change in equity (pre-tax) for each financial instrument in respect of the relevant risk variable that has been selected for it as of each reporting date.

The Group has no exposure in respect of interest risk in respect of long-term loans at fixed interest rates.

In respect of long-term loans at variable interest rates, the sensitivity test for interest risk was only performed in respect of the variable interest component.

NOTE 22:—FINANCIAL INSTRUMENTS (Continued)

f. The linkage terms of the monetary balances:

	As of December 31, 2012				As of December 31, 2011			
	In foreign currency or linked thereto	Linked to the Consumer Prices Index	Unlinked	Total	In foreign currency or linked thereto	Linked to the Consumer Prices Index	Unlinked	Total
	NIS in million							
Assets								
Cash and cash equivalents	—	—	32	32	1	—	16	17
Restricted cash	69	—	—	69	—	—	203	203
Trade receivables	—	—	549	549	—	—	379	379
Other receivables	—	19	13	32	25	19	8	52
Long-term receivables	2	—	—	2	—	—	—	—
Long-term loans to affiliates	—	3	—	3	—	3	—	3
long-term trade receivables	—	—	82	82	—	—	85	85
Long-term loan to a related party	—	—	184	184	—	—	—	—
	71	22	860	953	26	22	691	739
Liabilities								
Short-term credit from financial institutions and other providers of credit	—	—	—	—	—	300	295	595
Trade payables	260	—	797	1,057	150	1	647	798
Other payables	16	39	150	205	—	38	210	248
Loans from financial institutions(*)	—	—	—	—	—	850	705	1,555
Short-term loan from a related party	70	—	—	70	—	—	—	—
Long-term loan from a related party	—	—	3,909	3,909	—	—	—	—
Debentures(*)	—	809	642	1,451	—	831	669	1,500
Other long-term liabilities(*)	81	390	112	583	59	414	162	635
Subordinated loan from controlling shareholders	—	—	—	—	—	—	1,096	1,096
	427	1,238	5,610	7,275	209	2,434	3,784	6,427

(*) Includes current maturities.

NOTE 23:—ASSETS AND LIABILITIES IN RESEPCT OF EMPLOYEE BENEFITS

Defined benefits plan:

The portion of the severance pay payments that is not covered by deposits as aforesaid is treated by HOT Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and HOT Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

HOT Group has defined deposit plans, in accordance with section 14 of the Severance Pay Law, in accordance with which HOT Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

NOTE 23:—ASSETS AND LIABILITIES IN RESEPCT OF EMPLOYEE BENEFITS (Continued)

Deposits in a defined deposit plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

1. Expenses reflected in the statement of comprehensive income:

	For the year ended December 31
	2012
	NIS in millions
Current service cost	23
Interest expenses in respect of the benefit liabilities	5
Expected yield in the plan assets	(4)
Net actuarial loss (gain), which has been recognized in the year	3
Total expenses in respect of employee benefits	27
Actual yield on the plan assets	4
The expenses have been presented in profit or loss as follows:	
Other operating expenses	18
Selling and marketing expenses	5
Administrative and general expenses	3
Financing expenses	1
	27

2. The plan assets (liabilities):

	As of December 31	
	2012	2011
	NIS in millions	
Liabilities in respect of a defined benefit plan	(132)	(125)
Fair value of the plan assets	100	102
Total net liabilities	(32)	(23)

Cumulative amounts in respect of the value of the liabilities and in respect of the value of the rights in the plan assets.

3. Changes in the present value of the liability in respect of a defined benefit plan:

	2012
	NIS in millions
Balance as of January 1	125
Interest expenses	5
Current service cost	23
Benefits paid	(16)
Transfer of employees to section 14	(8)
Net actuarial loss	3
Balance as of December 31	132

NOTE 23:—ASSETS AND LIABILITIES IN RESEPCT OF EMPLOYEE BENEFITS (Continued)

4. The plan assets:

a) The plan assets:

The Plan Assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

b) The movement in the fair value of the plan assets:

	2012
	NIS in millions
Balance as of January 1	102
Expected yield	4
Deposits by the employer into the plan	20
Benefits paid	(18)
Transfer of employees to section 14	(8)
Net actuarial loss	—
Balance as of December 31	100

5. The principal assumptions in the determination of the liability in respect of a defined benefit plan:

	2012	2011
	%	%
The discount rate	3.54	4.34
Expected yield on the plan assets	3.84	4.51
Expected rate of salary increases	2–4	2–4

NOTE 24:—OTHER LONG-TERM LIABILITIES

Composition:

	December 31, 2012	December 31, 2011
	NIS in millions	NIS in millions
Liability to the Israel government[1]	82	125
Liability for financial leases[2]	129	105
Liability due to marketing agreement[3]	—	25
Liability to the Ministry of Communications[4]	21	19
Payables for purchase	342	341
Other	6	17
	580	632
Less—current maturities	(209)	(79)
	371	553

[1] On December 31, 2012 and in accordance with the change in HOT management's forecast in respect of the change in HOT's future revenues, the liability to the government was reduced by NIS 4 million (year ended December 31, 2011—the liability was increased by NIS 4 million).

NOTE 24:—OTHER LONG-TERM LIABILITIES (Continued)

(2) The following is information on liability for financial lease according to maturity dates:

	As of December 31, 2012			As of December 31, 2011		
	NIS in millions					
	Future minimal lease payments	Interest component	Present value future minimal lease payments	Future minimal lease payments	Interest component	Present value future minimal lease payments
In the first year	35	4	31	25	4	21
In the second year	33	3	30	25	3	22
In the third year	29	2	27	21	2	19
In the fourth year	20	2	18	20	2	18
In the fifth year	10	1	9	5	1	4
In the sixth year and thereafter	17	3	14	24	3	21
	144	15	129	120	15	105

(a) HOT Group leases equipment under finance leasing agreements. The agreements enable HOT Group to purchase the leased equipment at an opportunity price. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2012 the net carrying value of the leased facilities and equipment is NIS 239 million (2011—NIS 191 million).

(b) HOT Mobile has finance leasing in an amount of NIS 16 million, in respect of investments in leasehold improvements in accordance with HOT Mobile's rental contract with the company ''Airport City'' Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2012 the net carrying value of the leasing improvements is NIS 15 million.

(c) HOT Group has recorded finance leasing in respect of the Bezeq agreement that is described in Note 26b(4). As of December 31, 2012 the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of NIS 2 million, as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2011—NIS 3 million).

(3) HOT Mobile has paid fixed and variable amounts in respect of the recruitment of subscribers in respect of a marketing contract that it has with a marketer, which is in force until December 31, 2013.

Within the framework of the transaction for the acquisition of HOT Mobile, a surplus cost was attributed to a liability. In November 2012 HOT Mobile signed on an agreement for the cessation of the services and paid an agreed amount in respect of the cessation of the arrangement opposite the marketer. As a result, HOT recorded income of NIS 7 million under other income in respect of the write off of the full amount of the remaining surplus cost in respect of this contract.

(4) The fair value of the conditional payment to the Ministry of Communications in respect of the license is estimated at approximately NIS 21 million, based on an expert opinion in accordance with the scenarios for the accumulation of market share (see also Note 26c(4)(d)).

NOTE 25:—TAXES ON INCOME

a. *Tax laws that apply to the Group*

The company

Since the Company is incorporated in Israel and registered as a Luxembourgian company, the Company is subject to the tax laws that apply in Israel and also in Luxembourg.

HOT's Group

The merger agreement for the cables companies was signed on May 8, 2006. Within the framework of this agreement it was stipulated that the determining date for the actual execution of the activity involved in the merger would be January 1, 2006. The merger transaction between the cable companies was, for all practical purposes, completed on December 31, 2006. Accordingly, all of the reports that are required under the law were furnished to the Income Tax Authority, according to which the determining date for the execution of the activity

NOTE 25:—TAXES ON INCOME (Continued)

involved in the merger is also January 1, 2006, which is different from the time of the completion of the transaction, in other words, December 31, 2006, and their recording in HOT's accounting records.

In accordance with the opinion of HOT and of its legal advisers, the timing of the tax event as the result of the transfer of the assets in the merger is January 1, 2006, and this is despite the fact that for accounting purposes the activity was recorded on the date of the completion of the transaction, in other words, December 31, 2006.

In accordance with the outline of the transaction, amounts were allocated out of the cost of the acquisition, which amounted to NIS 4.4 billion, to intangible assets as well as the surplus accounting cost, which was attributed to fixed assets (hereinafter, together—the surplus costs).

In accordance with the provisions of the Income Tax Regulations (The depreciation rate for goodwill)—2003, it was stipulated that the annual depreciation rate for goodwill that was paid for will be 10%, and this is in accordance with the conditions as set in the said regulations.

In the opinion of HOT's management, the surplus costs can be amortized as an expense for tax purposes, and this is in accordance with the provisions of the Income Tax Ordinance and the regulations promulgated there under

As aforesaid, the implications of the merger from the tax perspective include various issues and aspects, in respect of the time of the merger and the manner and the pace of the depreciation of the assets and the liabilities that were acquired and/or transferred within the framework of the merger (including the cables infrastructure) for tax purposes. HOT's management, in consultation with its professional advisers, has recorded a provision within the framework of the deferred tax item, which in its assessment reflects the Company's exposure in respect of the timing of the allowance of the expenses in connection with the aforesaid issues.

b. *Tax assessments*

The company

The Company has not received final tax assessments since its incorporation.

HOT's Group

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately NIS 1.1 billion were adjusted for HOT for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. When the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of NIS 120 million. Linkage differentials and interest will be added to this amount. Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax year after 2008, and this will be significantly different from HOT's position.

HOT's management, on the basis of its position in the self-assessments and based upon its professional advisers, has presented an objection against the tax assessments for the years 2006 - 2008 and in the opinion of HOT's management and its professional advisers, HOT has well founded complaints against the claims made in the tax assessments for the years 2006 - 2008, which could significantly change the results of the tax assessments for those years and in any event, could also significantly change the implications deriving from them in respect of the tax years after 2008.

NOTE 25:—TAXES ON INCOME (Continued)

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006 - 2008 and within the framework of Stage A for the 2009 - 2010 tax years. A number of issued have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision has been recorded within the framework of the financial statements in respect of HOT's estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and Hot Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year.

The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

c. *Accumulated loss for tax purposes and other timing differences*

The company

The Company records a tax provision for the Company's share of the operating profits of an investee company in respect of the duty to withhold tax at a rate of 5% which could apply to the Company in the event of a distribution of dividends by HOT.

HOT's Group

In accordance with the draft tax reports, which have not yet been presented, for the year 2012, HOT has losses for tax purposes that are available to be carried forward to future years, which in the assessment of HOT's management amounted to approximately NIS 0.8 billion as of December 31, 2012 (approximately NIS 1.1 billion as of December 31, 2011). Consolidated companies have losses for tax purposes, which in the assessment of HOT's management amounted to approximately NIS 0.3 billion as of that time (approximately NIS 0.3 billion as of December 31, 2011).

As of December 31, 2012 a deferred tax asset, which is estimated at NIS 104 million, has not been recorded in respect of timing differences in HOT Group in the absence of the expectation that it might be exploited in the foreseeable future (2011—NIS 137 million).

NOTE 25:—TAXES ON INCOME (Continued)

d. *Deferred taxes:*

Composition:

1. Within the framework of the business combination that took place on March 16, 2011 the Group also created a deferred tax asset in respect of timing differences in respect of which no attribution of deferred taxes was performed by HOT. HOT has recorded deferred taxes up to the amount of the deferred tax liabilities, where there is a legal and enforceable rights that enables the setting off of deferred tax assets against deferred tax liabilities and also up to the level of the deferred tax liabilities in the event that it is expected that the utilization will be similar or later than the utilization of the deferred tax assets. In the event that no certainty exists in respect of the timing of the reversal of the deferred tax liability, HOT does not create deferred tax assets in respect of temporary difference as aforesaid (see also section a above).

2. Changes in respect of deferred taxes in respect of available for sale investments that are presented at fair value are reflected under other comprehensive income and not as tax income and expenses.

   The deferred taxes have been calculated in accordance with the tax rates that are expected to apply at the time that they are exploited.

Deferred taxes

Composition:

	Balance sheet December 31,	
	2012	2011
	NIS in millions	
Deferred tax liabilities		
Depreciable fixed assets	(104)	(106)
Intangible assets	(416)	(467)
Available for sale investments presented at fair value[2]	(7)	(10)
Others	(202)	(145)
	(729)	(728)
Deferred tax assets		
Depreciable fixed assets	131	178
Losses carried forward for tax purposes	120	—
Provision for doubtful debts	22	21
Provision for lawsuits	8	12
Other liabilities	33	35
Employee benefits	14	11
No deferred taxes recorded	(104)	(48)
	224	209
Net, deferred tax liabilities	(505)	(519)

[1] The Group records deferred tax assets up to the amount of the deferred tax liability, where there exists an enforceable legal right that enables the setting off of deferred tax assets from deferred tax liabilities and this too up to the level of the deferred tax liabilities in the event that it is expected that their exploitation will be similar or late than the pace of the exploitation of the deferred tax assets. In the event that timing of the reversal of the deferred tax liabilities is not certain, The Group does not record deferred tax assets in respect of timing differences, as aforesaid.

NOTE 25:—TAXES ON INCOME (Continued)

Taxes on income included in the statements of other comprehensive income:

	Year ended December 31	
	2012	2011
	NIS in millions	
Current taxes (current advances for surplus expenses)	—	(1)
Deferred taxes, net	(19)	86
Reconciliation of deferred tax balances following the change in tax rates	—	81
	(19)	166

Theoretical tax:

The reconciliation between the tax expense, assuming that all the income and expenses, gains and losses in the statement of income were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,	
	2012	2011
	NIS in millions	
Income (loss) before taxes on income	(928)	829
The statutory tax rate	25%	24%
Tax calculated at the statutory tax rate	(232)	199
Increase (decrease) in taxes on income resulting from the following factors:		
The updating of the deferred tax balances for changes in the tax rates	—	81
Disallowed expenses for tax purposes and exempt income	237	(101)
Losses for tax purposes and timing differences for which deferred taxes have not been reflected, net	(24)	—
Losses for tax purposes and timing differences for which deferred taxes have not been reflected, net	—	(13)
Taxes on income	(19)	166

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS

a. Contingent liabilities:

1. Within the framework of the merger of the cable companies, HOT has assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable companies in their former format), furthermore, it was determined that HOT is to assume responsibility for any claim that may be filed in the interim period by any of the acquired companies after the time of the completion of the cable companies.

   In addition, HOT has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which HOT has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold may have after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

2. Lawsuits have been filed and are pending against companies in HOT's Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter—Lawsuits).

   In the opinion of the managements of HOT Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2012 in an amount of NIS 77 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

   In the opinion of the management of HOT Group companies the additional exposure in an amount of NIS 6.7 billion (over and above the provisions that have been recorded in these financial statements), as of December 31, 2012 in respect of Lawsuits that have been filed against companies in HOT's Group on various issues is as follows:

   a) An amount of approximately NIS 1.8 billion in respect of claims, which in the assessment of the HOT's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

   b) An amount of approximately NIS 3.6 billion in respect of claims, in respect of which it is not yet possible to make an assessment, the main ones being in connection with the approval of class actions that were presented close to the date of the financial statements.

   c) An amount of approximately NIS 1.3 billion in respect of claims which, in the assessment of the HOT's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50%.

   The following is an abbreviated summary of HOT Group's contingent liabilities effective as of December 31, 2012 in accordance with groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2012	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2012	Provision recorded in the financial statements as of December 31, 2011	Updating of the expense (income) in the reporting period
			NIS in millions		
Customers	6,023	3,005	10	8	5
Claims filed after the balance sheet date	334	334	—	—	—
Copyright	81	—	54	158	2
Suppliers	36	—	3	2	1
Employees	5	—	1	—	—
The merger transaction	249	249	—	—	—
Total	6,728	3,588	68	168	8

See also note 1(d).

b. Commitments:

1. Royalties to the Ministry of Communications and other payments to the government:

   a) HOT is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that HOT, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2.5% in 2007, 2% in 2008, 1.5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalties' rate for the years 2011 and 2012 stood at 1.75%.

In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalties rate that is paid by HOT, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.

b) In July 2001 the cables companies, including HOT, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure or which touch upon the cables infrastructure (as defined in the agreement) for a period of 12 years. It was also stipulated in the agreement that in so far as HOT has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies HOT as a merged company.

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies)—1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.

2. Other royalties:

a) Within the framework of HOT Group's routine operations in the broadcasting field, HOT Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section—''The draft law'') was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, HOT is unable to assess what the impact of the said legislation will be on its business results, of it is passed.

3. A commitment to invest in original productions:

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2010, 2011 and 2012 HOT complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed HOT that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to record broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that the Company will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. Agreement to deploy and maintain a cables network:

On January 1, 1990 and on May 1, 1989 Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.

A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of the Bezeq company's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

The total of the expenses recorded in HOT's accounting records for the network services payable to the Bezeq company in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

5. Commitments to lease assets:

HOT Group has a commitment under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

	NIS in millions
2013	186
2014	148
2015	120
2016	86
2017 and thereafter	304
	844

6. On July 19, 2011 HOT's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (Fiber to the Building). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The updating of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that HOT Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arrive as a result of the increased use of applications that require a considerable band width.

7. On May 27, 2010 a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter—the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

   Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the date of signing the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

   In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

   As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the hardware for the system, which arrange the manner of the repair of missfunctions and the provision of support by Motorola for HOT Mobile iDEN network.

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

In December 2011 the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

8. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

   The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party, 60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

   The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

   The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

9. Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.

10. On June 16, 2011 HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile new network.

    In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor.

    In the first stage, which is expected to be completed during the course of 2012, the supplier will completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 20%, which HOT Mobile must meet in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has been given the right to expand the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

    The agreement arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.

    The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

    In consideration for the completion of the first stage in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, HOT's Group will pay the supplier an amount of 52 million Dollars. The total consideration in the agreement for all of the services up to the year 2017 is approximately 120 million US Dollars, according to HOT Mobile assessment.

    On January 31, 2013, an addition to the agreement was signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

date, subject to HOT Mobile's signing on debt notes, with HOT acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

11. On October 27, 2011 an agreement was signed between HOT Mobile and Comverse Ltd. (''Comverse''), in accordance with which Comverse will supply HOT Mobile with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (''The system'') and Comverse will also supply HOT Mobile with hardware, software and services, including the operation and maintenance of the system. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addition to this agreement, in accordance with which Comverse is committed to allocating seven additional employees to be available for the project (instead of the manpower that HOT had to make available for the project), for a payment of 500,000 US Dollars.

12. On October 6, 2005, HOT Mobile won a tender for the provision of Cellular services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new cellular operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139.3 million, NIS 112.4 million and NIS 83.7 million, respectively, which constituted approximately 13.5%, 12.5% and 9.8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

13. On May 30, 2012, HOT Mobile International Communications Ltd (HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (''The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. Marketing and distribution (for iDEN technology products and services):

    In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which HOT Mobile operates across the country, a national distribution channel that works ''door to door'' using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek group's filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile's products and services in that sector.

    In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

    Commitment with an external marketer

    As aforesaid, in 2012, one of the distribution channels for HOT Group's products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, though the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM's results in respect of the sales of the iDEN products.

The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.

Marketing and distribution (for UMTS technology products and services)

The marketing and distribution of UMTS products is performed by means of HOT Mobile's and HOT's marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.

15. Capitalized leasing rights on land from the Israel Lands Authority:

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which HOT's Group buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2k. The lease periods end in the years 2021-2045.

16. Commitments between companies in HOT Group

a) There is a mutual agreement for the provision of services between HOT Telecom and HOT, which has been in force since January 1, 2007. Within the framework of which HOT has undertaken to supply HOT Telecom with services in various fields, including the fields of purchasing and marketing. The said services are provided primarily by the employees of HOR and of HOT Telecom, as the case may be. It was stipulated that the consideration for the provision of the services, to which each party will be entitled, will be an amount that is equivalent to the cost of the provision of the services, which will be determined by the parties by agreement, from time to time.

In May 2008 HOT's Board of Directors and HOT Telecom's Board of Directors approved the updating of the mutual charging mechanism between HOT and HOT Telecom retrospectively as from January 1, 2008.

b) As from January 1, 2007, there has been an agreement in force between HOT Telecom and HOT, in accordance with which HOT Telecom will provide HOT with cable broadcasting distribution services and broadcasting center services.

The agreement cannot be cancelled unilaterally by one of the parties but rather solely by a final judgment by an authorized court, or if a party to the agreement has received approval from the Council or the Ministry of Communications that the other party has ceased to provide its services in accordance with the license. Despite the aforesaid, HOT is entitled to announce the termination of this agreement at the end of a period of ten years from the date of its signing, or at the end of the period of validity of the broadcasting license, or at the end of any extension period of the broadcasting license. The services will be performed by employees of HOT Telecom.

Under the force of the national operator license, HOT Telecom has been given the exclusive right to use the cables network, to operate it, to develop it, to improve it and to execute any activity on it in accordance with the national operator license and in accordance with the law. As from January 1, 2007 HOT Telecom has been charging the Company for the services in accordance with the amounts that are determined by the parties agreement, based on the formula that was set in a decision by the Minister of

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

Communications on August 23, 2007 on the issue of the transmission fee to be paid by a special license holder to HOT Telecom in respect of the transmission of its broadcasts on HOT Telecom's infrastructure.

During the course of the years 2007 and 2009, updated were approved of the mechanism for the transmission fees between HOT and HOT Telecom such that the consideration that will be paid for the services that are supplied in connection with the analogical channels, is to be reduced in accordance with the average number of analogical subscribers in that calendar year, except for the year 2009 in which a maximum discount of 7% would be given, such that as from the year 2012 a discount will be given in accordance with the number of channels that are transmitted on the partnership's infrastructure in accordance with a graded scale.

During the course of the years 2012, 2011 and 2010 HOT Telecom charged HOT the amounts of NIS 921 million, NIS 987 million and NIS 974 million, respectively.

c) On July 17 and 19, 2011 HOT's Audit Committee and Board of Directors, respectively, approved a commitment by HOT under a transaction for the supply of infrastructure services with HOT Mobile. In accordance with the transaction that was approved, HOT Telecom will connect HOT Mobile cellular communications sites to its communications centers, by means of the cables infrastructure. The transaction that was approved is for the connection of at least 550 communications sites (the completion of the connection of which is expected to take place by the end of 2014), with the consideration in respect of each site being determined in accordance with the technical requirements and the band width that is required. The commitment in connection with each site is for a period of ten years.

In accordance with HOT's assessment, at this stage, the overall amount of the consideration that is expected for the said transaction could reach NIS 250 million, and will not be less than NIS 150 million. In 2012 HOT Telecom recorded income of NIS 7 million in respect of this agreement.

d) HOT is entitled to receive management fees at a rate of 1% of HOT Mobile annual income.

e) On April 4, 2012 an agreement was signed between HOT Mobile, HOT and HOT Telecom, in accordance with which HOT and HOT Telecom will market, non-exclusively, HOT Mobile's services and products, as defined in the agreement, to private sector customers, by means of sales stands, telephone call centers and sales representatives. The agreement is in force for a period of 12 months (hereinafter—the initial period), with the possibility of an extension for additional periods of 12 months, each time, where following the initial period each party will be entitled to terminate the agreement for any reason, by giving 90 days notice in advance. HOT Mobile will bear all of the marketing costs, as defined in the agreement.

c. Guarantees and liens:

1. As collateral for HOT's commitments vis-à-vis the parent company under the credit agreement, the following charges have been placed:

a) A floating charge on HOT's assets.

b) A fixed charge on the shares in the subsidiary companies.

c) HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis HOS, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

2. As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the chargeable assets and the rights of companies in HOT Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the HOT Group.

3. As collateral for HOT's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the HOT Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:

   a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

   b) Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.

   c) A bank guarantee in an amount of 2 million Dollars to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.

   d) A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.

      In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party.

      Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.

      In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.

      On November 28, 2011, HOT Mobile and her former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation cellular network (UMTS).

5. HOT Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.

6. Guarantees to HOT Telecom:

   a) HOT Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

NOTE 26:—CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS (Continued)

b) HOT Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

7. There exist mutual guarantees between HOT and companies in the HOT Group, in unrestricted amounts, in favor of banking entities as collateral for the repayment of HOT Group's liabilities to those banking entities.

NOTE 27:—EQUITY

The composition of the share capital:

	December 31, 2012		December 31, 2011	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares of NIS 1 par value each	10,000,000	6,147,567	10,000,000	6,147,567

As of December 31, 2009, the Company's authorized share capital amounted to NIS 0.1 thousand (€ 0.02 thousand).

On April 2, 2010, an extraordinary general meeting of equity holders gave its approval for the par value of the shares being denoted in Euros instead of Shekels, such that it would stand at 0.02 thousand Euros (instead NIS 0.1 thousand).

On the same date, the general meeting approved the increasing of the Company's authorized share capital by 14,980 Ordinary shares of € 1 par value each, so that the Company's overall share capital amounted to € 15 thousand as of that date.

On November 3, 2010, the extraordinary general meeting of equity holders approved to increase the Company's authorized share capital by € 1,200 thousand, so that the Company's overall share capital totaled € 1,215 thousand on that date (8,100 shares).

On the same date, the extraordinary general meeting of equity holders approved to convert the value of the Company's shares to NIS instead of Euro based on the exchange rate of 5.0598 NIS/Euro. As a result of the above, the Company's overall share capital was updated to 6,148 thousand shares of NIS 1 par value each.

Compulsory capital reserve

Companies that are subject to the laws in Luxembourg are obligated to allocate a minimum compulsory capital reserve of 5% of the annual income until this reserve amounts to 10% of the share capital. The reserve cannot be distributed.

Capital reserve for transaction with controlling shareholder

A liability in respect of which the Company and the controlling shareholder performed transactions was recognized at fair value at the date of each transaction. The difference between the fair value and the agreed consideration for each transaction was carried to equity. The Company derived a positive difference for a beneficiary loan at non-market conditions from a controlling shareholder. The positive difference represents, in substance, an owner investment and, accordingly, it is recognized in a separate line item in equity as ''reserve for transaction with controlling shareholder''.

Share options in HOT Group

On December 31, 2012, following the delisting of HOT's shares from trading on the Tel-Aviv Stock Exchange in Israel, and following the exercise of options by HOT's employees and office holders, as of the balance sheet date there are no options that have not yet been exercised.

NOTE 27:—EQUITY (Continued)

As a result of the delisting of HOT's shares from trading, and in accordance with the agreements that had been signed with HOT's employees and officers, in which, within the framework of the allocation agreements, it was determined that in the event that HOT's shares are delisted from trading for any reason whatsoever, the offerees will be entitled to exercise all of the vested options within 90 days from the time of the delisting from trading. As of March 25, 2013 the options expired, whether or not they have vested.

As a result of the aforesaid, an amount of NIS 20 million has been reflected in the financial statements, under other income, in respect of options that were recorded in the past, in respect of option warrants that did not vest and which have expired as a result of the aforesaid.

NOTE 28:—ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Revenues			
Cable TV	2,275	1,728	—
Cellular communications	855	66	—
In-country fixed line	416	313	—
Access services to fast internet	572	392	—
ISP services	11	—	—
Transmission services	1,020	798	—
	5,149	3,297	—
Inter segment revenues	(957)	(745)	—
	4,192	2,552	—
Other operating expenses			
Payroll and related expenses	480	319	—
Royalties and other payments to the government of Israel	56	42	—
Programs and other broadcasts	667	480	—
Maintenance of subscribers, infrastructure and network	441	184	—
Rental fees and office maintenance	75	38	—
External service center	28	12	—
Expenses involved in completing a call	326	89	—
Device purchase costs	116	8	—
Others	72	54	—
	2,261	1,226	—
Selling, marketing general and administrative expenses			
Selling and marketing expenses			
Payroll and related expenses	166	72	—
Advertising and sales promotion	85	77	—
Rental fees and office maintenance	18	10	—
Marketers' commissions	16	17	—
External sales and retention center	6	8	—
Others	9	10	—
	300	194	—
General and administrative expenses			
Payroll and related expenses	86	67	—
Rental fees and office maintenance	16	6	—
Professional and legal consulting	29	23	1
Doubtful and bad accounts expenses	11	4	—
Recruiting and placement	6	10	—
Wellbeing	13	8	—
Others	12	4	—
	173	122	1

NOTE 28:—ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS (Continued)

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Financial income (expenses)			
Financial income			
Changes in fair value of financial derivatives, net	—	32	—
Refund of commissions from subscribers	4	2	—
Other financial income	13	3	—
Revaluation of loan from controlling shareholder	—	—	108
Interest on loan from related party	—	15	—
	17	52	108
Financial expenses			
Financial expenses for short term credit	10	4	—
Changes in the fair value of financial derivatives. net	10	—	—
Financial expenses for bank commissions and credit card companies commissions	70	35	1
Financial expenses for long term loans	173	60	—
Financial expenses for debentures	93	75	—
Exchange rate differences, net	1	10	2
Revaluation of loan from the controlling shareholder	142	135	158
Financial expenses on behalf of contingent consideration	—	32	—
Revaluation of available for sale financial assets	27	42	—
Other financial expenses	48	45	—
	574	438	161
Other expenses, net			
Liability to government and others	(4)	(4)	—
Provision for contingent liabilities and claim settlement	4	122	—
Dividend received	(2)	(3)	—
Updating of liability for contingent consideration for the acquisition of HOT Mobile	(17)	—	—
Income in respect of share-based payment transactions expired	(20)	—	—
Transaction costs for purchase HOT Mobile's shares	—	7	—
Early reimbursement fee	55	—	—
Impairment of Goodwill	604	—	—
Others	7	(9)	—
	627	113	—

NOTE 29:—OPERATING SEGMENTS

General:

The operating segments have been determined based on information examined by the Chief Operational Decision Maker (CODM) for the purposes of decision making in respect of the allocation of resources and the evaluation of performance. Accordingly, for management purposes, the Group is made up of operating segments, based on the services provided by three principal operating segments, as follows:

The telecom segment — In this segment the Company provides, via HOT Telecom, with In country landline telecommunications services.

The broadcasting segment — In this segment HOT and its investee companies provide with multi-channel cable television broadcasts to subscribers.

The cellular segment — In this segment HOT provides, via Hot Mobile, with telephony, wireless connection (PPT) and data transfer services.

The accounting policies of the operating segments are: identical to those presented in Note 2.

The segment results that are reported to the Chief Operational Decision Maker include items that relate directly to the segment and items that can reasonably be attributed to it. Unallocated items, financing costs (including financing income and expenses) and taxes on income are managed on a group basis.

Segmental assets do not include deferred taxes and cash and cash equivalents since those assets are managed on a HOT Group basis.

The segmental liabilities do not include deferred taxes and short-term and long-term credit, including interest payable, since those liabilities are managed on a HOT Group basis.

Capital investments include purchases of fixed and intangible assets.

See Note 26b(16) on the subject of the mechanism by which Hot Telecom charges HOT for the use of the cable infrastructure, terminal equipment and the other operational fixed assets that are held by HOT Telecom.

	Year Ended December 31, 2012					
	Cellular	Telecom	Broadcasting	Others	Inter segmental income[(*)]	Total consolidated
	NIS in millions					
External revenues	855	2,008	2,275	11	(957)	4,192
Segment Income (loss)	(202)	(269)	141	(12)	(2)	(344)
Unattributed other income, net						(27)
Operating loss						(371)
Financial Expenses, Net						(557)
income before taxes on income						(928)

NOTE 29:—OPERATING SEGMENTS (Continued)

	December 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter segmental income(*)	Total consolidated
	NIS in millions					
Additional information						
Segmental assets	1,835	6,136	1,530	9	(2)	9,508
Assets that have not been allocated to a segment						386
Total consolidated assets						9,894
Segmental liabilities	449	562	611	9	—	1,631
Liabilities that have not been allocated to a segment						6,402
Total consolidated liabilities						8,033
Capital investments	784	181	415	4		1,384
Depreciation and amortization	681	404	116	1		1,202

	Year Ended December 31, 2011					
	Cellular(**)	Telecom	Broadcasting	Others	Inter segment revenues(*)	Total consolidated
	NIS in millions					
External revenues	66	1,503	1,728	—	(745)	2,552
Segment Income (loss)	(6)	301	160	(8)	—	447
Unattributed other income, net						5
Operating income						452
Financial Expenses, Net						(386)
Loss before taxes on income						66

(*) Revenues mainly from the Telecom segment.

(**) As from November 28, 2011.

	December 31, 2011			
	Cellular	Telecom	Broadcasting	Total consolidated
	NIS in millions			
Additional information				
Segmental assets	1,566	6,781	1,368	9,715
Assets that have not been allocated to a segment				376
Total consolidated assets				10,091
Segmental liabilities	291	532	732	1,555
Liabilities that have not been allocated to a segment				5,750
Total consolidated liabilities				7,305
Capital investments	38	383	82	503
Depreciation and amortization	13	583	75	671

NOTE 30:—BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

Balances with related parties:

	Year ended December 31	
	2012	2011
	NIS in millions	
Long term loan to related party	184	—
Long term loan from related party	3,909	—
Short term loan from related party	70	—
Trade receivables	—	1
Trade payables and accrued expenses for suppliers	1	21
Loan from shareholders(*)	—	1,096
	4,164	1,118

(*) On March 31, 2010, the Company signed a loan agreement (‘‘the loan agreement’’) with its interest shareholder, Altice, effective from May 14, 2009 for borrowing up to € 300,000, of which an amount of € 227,645 net after prepayment was transferred to the Company by December 31, 2009 and an amount of € 227,630 net after repayment by January 12, 2010, and this in favor of the execution of the acquisition of the shares of the affiliated company, HOT.

The loan agreement determined that no repayment date has been set for the said loan (however it will be provided for at least 12 months) nor any interest whatsoever. Also, according to the loan agreement, the Company is entitled to repay all or part of the loan amount on any date it wishes. Further, the Company has the option to convert the loan into Ordinary share capital of the Company, if it elects to, as far as it elects to, without waiving its right to repay the loan on any date it wishes.

Also, it was determined that the loan shall not bear interest during the first twelve months.

Furthermore, the loan provides for limited recourse so that the Company’s obligation to repay the loan to Altice is limited to shares of HOT held by the Company and if these assets are insufficient to enable full payment, the Company is not required to make up the deficit.

A series of scenarios have been set in the loan agreement in which Altice may demand an immediate repayment of the loan, the main of which are: (1) the Company defaults in the performance of any actions or obligations under the loan agreement; (2) the Company takes actions which turn to be illegal due to any reason whatsoever; (3) the Company acts or takes any steps for its winding-up, dissolution or reorganization, a receiver or trustee is appointed for it assets or the Company ceases to carry on business or makes a general settlement with its creditors; (4) the Company does not fulfill other liabilities in respect of other loans, cash or guarantees; (5) the Company ceases or threatens to cease to carry on its business.

On November 3, 2010, an amendment to the above loan agreement was signed according to which the maximum loan amount would be NIS 1,518 million (as NIS-loan). All other conditions of the loan agreement remained in place.

On December 2, 2010, a second amendment to the above loan agreement was signed according to which, pursuant to the Company’s Board resolution to raise debentures in the total of approximately NIS 1.1 billion, the parties agree that should the Company raise debentures and have obligations towards the debentures holders or third financing parties, any repayment of the above loan from the parent company would be subordinated and subject to the applicable limitations in order to ensure that subordination to third party financing is effective. Since November 2011 the shareholder loan was classified as a long term liability, since it subordinated to long term bank loans.

On November 26, 2012, a third amendment to the above loan agreement was signed according to which, the Company shall repay the principal amount to Altice on September 30, 2087 at the latest.

Since interest was determined for the loan the Company recorded an increase in its equity (in capital reserve for transaction with controlling shareholder) of accumulated amount of approximately NIS 1,681 million reflecting annual real interest of 14.5% as of November 2012 as determined by an independent external expert. (During 2012 an amount of NIS 1,229 millions).

NOTE 30:—BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Continued)

	December 31		
	2012	2011	2010
	NIS in millions		
Incomes	1	2	—
Purchases and purchase of services from suppliers	55	54	—
Professional services	3	2	—
Financial Incomes	2	15	108
Financial Expenses	147	135	158

NOTE 31:—SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. See Note 26a(2) for the amounts of class actions filed after the balance sheet date.

b. On January 9, 2013, Ms. Hendler informed HOT of her resignation from the position of Chairperson of HOT's Board of Directors, with effect as from January 31, 2013, in the light of HOT having become a private company and the delisting of HOT's shares from trading at the end of 2012. On March 19, 2013 and on March 27, 2013 HOT's Remunerations Committee and Board of Directors, respectively, and on March 27, 2013 HOT's general meeting, approved the resignation agreement with Ms. Hendler, the main terms of which are as follows:

1. In accordance with the terms of Ms. Hendler's original employment agreement, dated May 2011 (''The employment agreement''), in the event that HOT would have brought the employment agreement to an end in a period that was shorter than 3 years from the time of her appointment (May 2011), Ms. Hendler would have been entitled to the payment of her salary in respect of the full length of the period of the agreement up to the end of a period of three years from the time at which her period of office starts (in other words, until the end of April 2014). In the light of the circumstances of Ms. Hendler's resignation, which centered on HOT having become a private company, the members of HOT Audit Committee and the Board of Directors gave their approval for the said section to apply even thought the termination of her period of office was at Ms. Hendler's initiative and accordingly, HOT will pay Ms. Hendler an amount of NIS 2.4 million (gross), which is equivalent to the payment of her monthly salary for the remaining 14 months until the end of the period of three years, as aforesaid.

2. HOT will pay Ms. Hendler a resignation grant of NIS 4 million. The said grant is in place of the grant that Ms. Hendler would have been entitled to for the year 2012 in accordance with the employment agreement and also in consideration of the fulfillment of all of Ms. Hendler's other commitments under the retirement agreement.

3. Ms. Hendler has undertaken not to work in any other company whatsoever until July 2013, without the approval of HOT, nor in companies in HOT's field of activity, as has been agreed between the parties for an additional period of four years. It was agreed that the a foregoing shall not apply in connection with Ms. Hendler's holding office as the Chief Executive Officer of Bezeq—The Israel Telecommunications Corporation Ltd.

4. Within the framework of the agreement, Ms. Hendler waived all demands and/or claims against HOT in connection with her employment in HOT.

C. See Note 27 for expiration of options to HOT's senior employees.

NOTE 32:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO")

a. Balance Sheet

	December 31,	
	2012	2011
	NIS in millions	
CURRENT ASSETS		
Cash and cash equivalents	—	1
Restricted cash	—	203
Other receivables	1	—
	1	204
NON-CURRENT ASSETS		
Investment in investee	2,206	2,206
Loan to related party	184	—
	2,390	2,206
	2,391	2,410
CURRENT LIABILITIES		
Credit from financial institutions	—	343
Trade payables	—	2
Other accounts payable	4	9
	4	354
NON-CURRENT LIABILITIES		
Loans from financial institutions	—	808
Subordinated loan from controlling shareholder	—	1,096
Loan from related party	1,053	—
	1,053	1,904
	1,057	2,258
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	6	6
Reserve for transaction with controlling shareholder	1,681	452
Retained loss	(353)	(306)
Total equity	1,334	152
	2,391	2,410

b. Statements of comprehensive income

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
General and administrative expenses	(2)	(8)	(1)
Operating loss	(2)	(8)	(1)
Other income	181	—	—
Finance income	2	15	108
Finance expenses	(228)	(224)	(161)
Net loss	(47)	(217)	(54)
Other comprehensive income (loss) (net of tax effect):			
Total comprehensive loss	(47)	(217)	(54)

NOTE 32:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (“SOLO”) (Continued)

c. Statements of changes in equity:

	Attributable to equity holders of the Company			
	Share capital	Capital reserve for transaction with controlling shareholder	Retained earnings (loss)	Total
	NIS in millions			
Balance at January 1, 2010	—	152	(35)	117
Net loss	—	—	(54)	(54)
Total comprehensive loss	—	—	(54)	(54)
Issue of share capital	6	—	—	6
Equity contribution on transaction with controlling shareholder	—	145	—	145
Balance at December 31, 2010	6	297	(89)	214
Net loss	—	—	(217)	(217)
Total comprehensive loss	—	—	(217)	(217)
Equity benefit on transaction with controlling shareholder	—	155	—	155
Balance at December 31, 2011	6	452	(306)	152
Net loss	—	—	(47)	(47)
Total comprehensive loss	—	—	(47)	(47)
Equity benefit on transaction with controlling shareholder	—	1,229	—	1,229
Balance at December 31, 2012	6	1,681	(353)	1,334

NOTE 32:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Continued)

d. Statements of cash flows:

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Cash flows from operating activities:			
Net loss	(47)	(217)	(54)
Adjustments required in order to present cash flows from operating activities:			
Adjustments to the profit or loss items:			
Interest on loan from controlling shareholder	142	135	158
Revaluation of loan from controlling shareholder	—	—	(108)
Other income	(236)	—	—
	(141)	(82)	(4)
Changes in asset and liability items:			
Increase in other receivables	(1)	—	—
Increase (decrease) in trade payables	(2)	2	—
Increase (decrease) in other accounts payable	(5)	7	1
	(8)	9	1
Cash received during the period for:			
Dividend received	236	—	—
Net cash used in operating activities	87	(73)	(3)
Cash flows from investing activities:			
Repayment (investment) in restricted cash	203	(203)	—
Loan granted to related party	(184)	—	—
Acquisition of companies that are treated under the equity method of accounting	—	(954)	—
Net cash used in investing activities	19	(1,157)	—

	Year ended December 31,		
	2012	2011	2010
	NIS in millions		
Cash flows from financing activities:			
Short-term bank credit, net from bank commission	(301)	299	2
Receipt of long-term loans from financial institutions	—	1,800	—
Repayment of long-term loans from financial institutions	(850)	(950)	—
Repayment of loan from controlling shareholder	(9)	(8)	—
Receipt of loan from controlling shareholder	—	90	—
Receipt of loan from related party	1,053	—	—
Net cash provided by financing activities	(107)	1,231	2
Increase (decrease) in cash and cash equivalents	(1)	1	(1)
Cash and cash equivalents at the beginning of the period	1	—	1
Cash and cash equivalents at the end of the period	—	1	—

NOTE 32:—CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (''SOLO'') (Continued)

The accounting policies applied in the above condensed data are identical to those applied in Note 2, except:

- The accounting treatment of investments in shares of investees pursuant to IAS 27:

  When presenting the data from the separate financial statements of the parent company (''solo''), investment in shares of subsidiary is accounted for at cost or at fair value in accordance with IAS 39 and not at equity. The Company has elected to account for said investment at cost and, accordingly, the investment in shares of HOT is presented at cost.

- On February 19, 2012 HOT distributed a dividend of NIS 365 million. As a result of this distribution, the company received NIS 236 million as a cash dividend which has been classified as other income in the solo financial statement of the company.

List of the Principal Investee Companies
As of December 31, 2011

Name of the Company	Ownership and holding rate	
HOT Cable Telecommunication Systems Haifa—Hadera Ltd.	100%	Consolidated
HOT Net Internet Services Ltd.	100%	Consolidated
HOT Vision Ltd.	100%	Consolidated
HOT Telecom Limited Partnership	100%	Consolidated
Drom Hasharon Telecommunications (1990) Ltd.	100%	Consolidated
IsraCable Ltd.	100%	Consolidated
HOT T.L.M. Subscriber Television Ltd.	100%	Consolidated
HOT Edom Ltd.	100%	Consolidated
HOT Eidan Cable Systems (Holdings) 1987 Ltd.	100%	Consolidated
HOT Eidan Cable Systems Israel Ltd.	100%	Consolidated
HOT Net Limited Partnership	100%	Consolidated
HOT Mobile Ltd.	100%	Consolidated
Non-Stop Ventures Ltd.	50%	Affiliated
Zira (Copyrights on the Internet) Ltd.	25%	Affiliated

(*) Companies that are held by HOT, directly and indirectly.

CABOVISÃO—TELEVISÃO POR CABO, S.A.

MARCH 31, 2013 FINANCIAL STATEMENTS

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LIMITED REVIEW REPORT

(Amounts expressed in Euros)

Introduction

1. We have reviewed the financial statements (''Portuguese GAAP'') of Cabovisão—Televisão por Cabo, S.A. (''the Company''), that includes a balance sheet as of 31 March 2013, that show total assets of 154,836,584 Euros and total equity of 83,475,621 Euros, including a profit of 1,984,322 Euros and the statements of income by nature for the period of three months then ended.

Responsibilities

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations, the variations in equity, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to issue a limited review report, based on our review of the financial statements.

Scope

3. We conducted our review in accordance with the Technical Rules and Directives of Review and Audits, issued by the Portuguese Body of Statutory Auditors applicable to Reviews, which require that we plan and perform the review to obtain a moderate level of assurance whether the financial statements are free from material misstatements. Our review mainly included i) inquires and analytical procedures to assess the appropriateness of the assertions included in the financial information and of the accounting policies used, taking into consideration the circumstances and its consistency between years, the going concern principle and disclosures made by the Board of Directors, as well as assessing the overall presentation of the financial statements, and ii) substantive tests to the noncurrent and extraordinary relevant transactions. Accordingly, our review gives less assurance than an audit and, consequently, we are not in a position to express an audit opinion.

Opinion

4. Based on the work performed, which was executed to obtain a moderate level of assurance, nothing came to our attention that makes us believe that the financial statements of Cabovisão—Televisão por Cabo, S.A. as of 31 March 2013, referred in paragraph 1, are not free of material misstatements that affect its conformity with the Portuguese generally accepted accounting principles.

Emphasis

5. As of 31 March 2013, the financial statements show accumulated losses amounting to, approximately 383,265,000 Euros, in part as a result of the significant depreciations related with the network. In addition, as of that date, current assets are lower than current liabilities, being the

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Company's Board of Directors understanding that the future operations will generate sufficient cash to cover the Company's liabilities and continue to develop its regular operations.

6. The financial statements referred in paragraph 1, were prepared for the purpose of a bond loan issuance and, accordingly, does not comply in format and content with the requirements applicable to a complete set of financial statements. Our limited review report could be not appropriate for other uses and should not be disclosed for other purposes.

Lisbon, 27th May 2013

BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.
Represented by Paulo Jorge Duarte Gil Galvão André

CABOVISÃO—TELEVISÃO POR CABO, S.A.

BALANCE SHEET FOR THE PERIODS ENDED IN MARCH 31, 2013 AND DECEMBER 31, 2012

(Amounts in Euros)

	31-12-2012	31-03-2013
Assets		
Non current assets:		
Tangible fixed assets	132,427,983	128,534,633
Clients	654,448	654,448
Total non-current assets	133,082,431	129,189,081
Current Assets:		
Clients	4,982,705	5,410,842
State and other public entities	280,000	280,000
Other accounts receivable	2,128,753	2,053,631
Deferrals	335,255	755,216
Cash and bank deposits	19,624,413	17,147,814
Total current assets	27,351,126	25,647,503
Total assets	160,433,557	154,836,584
Shareholder's equity and Liabilities		
Shareholder's equity		
Share capital		
Capital	5,000,040	5,000,040
Other equity instruments	461,740,143	461,740,143
Retained earnings	(382,070,691)	(385,248,884)
	84,669,492	81,491,299
Net loss	(3,178,194)	1,984,322
Total shareholder's equity	81,491,298	83,475,621
Liabilities		
Non-current liabilities:		
Provisions	5,368,983	5,368,984
Loans obtained	15,100,000	13,600,000
Total non current liabilities	20,468,983	18,968,984
Current liabilities		
Suppliers	28,007,572	20,678,399
State and other public entities	2,182,115	3,155,823
Loans obtained	9,900,000	9,900,000
Other accounts payable	17,390,141	17,321,172
Deferrals	993,448	1,336,585
Total current liabilities	58,473,276	52,391,979
Total liabilities	78,942,259	71,360,963
Total liabilities and shareholder's equity	160,433,557	154,836,584

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE PERIODS ENDED IN MARCH 31, 2013 AND 2012

(Amounts in Euros)

	31-03-2013 (Q1 3 Months)	31-03-2012 (Q1 3 Months)
REVENUES AND LOSSES		
Sales and services rendered	28,719,583	29,701,254
Own work capitalized	728,610	211,886
Costs of goods sold and materials consumed	(51)	(395,983)
Supplies and external services	(15,031,094)	(21,191,409)
Wages and salaries	(2,110,940)	(3,364,739)
Impairment of assets ((loss) / reversals)	—	—
Impairment of receivable ((loss) / reversals)	(142,899)	625,424
Provisions ((increase)/decrease)	—	—
Others income and gains	375,204	113,860
Other expenses and loss	(1,283,624)	(2,206,963)
Income before financial results, taxes and depreciation	11,254,789	3,493,329
Depreciation and amortization expenses	(8,746,584)	(28,240,038)
Impairment of assets	43,936	141,869,832
Operational losses (before financial results and taxes)	2,552,141	117,123,122
Interests and similar revenues	1,879	17,181
Interests and similar losses	(569,698)	—
Income before taxes	1,984,322	117,140,303
Income taxes of the year	—	(96,735)
Net loss of the year	1,984,322	117,043,568
Basic Eaning per Share	0.79	46.82

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED IN MARCH 31, 2013 AND 2012

(Amounts in Euros)

	31-03-2013 (3 Months)	31-03-2012 (3 Months)
OPERATIONAL ACTIVITIES		
Receivable from clients	33,380,265	34,185,491
Payments to suppliers	(23,956,280)	(13,044,584)
Payments of salaries	(1,076,358)	(1,512,314)
Flows of operations	8,347,627	19,628,593
Other payments	(3,805,496)	(4,421,961)
Flows of operational activities [1]	4,542,131	15,206,631
Income before financial results, taxes and depreciation		
Payments		
Tangible fixed assets	(4,950,444)	(3,244,902)
Others assets	(4,950,444)	(3,244,902)
Receivables		
Interests and similar revenues	1,409	13,744
	1,409	13,744
Flows of investment Activities [2]	(4,949,034)	(3,231,158)
FINANCIING ACTIVITIES		
Payments		
Reduction of loan	(1,500,000)	
Interests and similar costs	(569,696)	(47,090)
Reduction of capital and other equity instruments		
	(2,069,696)	(47,090)
Flows of financing activities	(2,069,696)	(47,090)
Change in cash and cash equivalents [4] = [1] + [2] + [3]	(2,476,599)	11,928,383
Cash and cash equivalents at the beginning of the year	19,624,413	8,059,853
Cash and cash equivalents at the end of the year	17,147,814	19,988,237

CABOVISÃO—TELEVISÃO POR CABO, S.A.

DECEMBER 31, 2012 FINANCIAL STATEMENTS

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AUDIT REPORT

(Amounts expressed in Euros)

Introduction

1. We have audited the financial statements (''Portuguese GAAP'') of Cabovisão—Televisão por Cabo, S.A. (''the Company''), that includes a balance sheet as of 31 December 2012, that show total assets of 160,433,557 Euros and total equity of 81,491,298 Euros, including a loss of 24,956,149 Euros and the statements of income by nature for the year (twelve months) then ended.

Responsibilities

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations, the variations in equity, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to express an opinion on those financial statements based on our audit.

Scope

3. We conducted our audit in accordance with the Technical Rules and Directives of Reviews and Audits issued by the Portuguese Body of Statutory Auditors, which require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit to involves performing procedures, on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements and the evaluation of the estimates made by the Board of Directors, used in its preparation. The audit also included the assessment as to the appropriateness of the accounting policies and accounting estimates used and disclosures made by the Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the financial statements referred in paragraph 1, give a true and fair view in all material respects, of the financial position of Cabovisão—Televisão por Cabo, S.A. as of 31 December 2012, and the results of its operations for the year then ended, in accordance with the Portuguese generally accepted accounting principles.

Emphasis

5. As of 31 December 2012, the financial statements show accumulated losses amounting to, approximately 385,249,000 Euros, in part as a result of the significant depreciations related with the network. In addition, as of that date, current assets are lower than current liabilities, being the

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Company's Board of Directors understanding that the future operations will generate sufficient cash to cover the Company's liabilities and continue to develop its regular operations.

6. The financial statements referred in paragraph 1, were prepared for the purpose of a bond loan issuance and, accordingly, does not comply in format and content with the requirements applicable to a complete set of the financial statements. Our report could be not appropriate for other uses and should not be disclosed for other purposes. The Company's financial statements as of 31 December 2011, presented for comparative purposes, were reviewed by us and our limited review report includes a reserve related with the impairment of the network, that is not applicable to the financial statements as of 31 December 2012, and two emphasis related to the matter described in paragraph 5 and in this paragraph.

Lisbon, 27th May 2013

BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.
Represented by Paulo Jorge Duarte Gil Galvão André

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STATUTORY AUDIT REPORT

(Amounts expressed in Euros)

Introduction

1. We have audited the financial statements of Cabovisão—Televisão por Cabo, S.A. (''the Company''), that includes a balance sheet as of 31 December 2012, that show total assets of 160,433,557 Euros and total equity of 81,491,298 including a loss for the period of 3,178,194 Euros, the statements of income by nature, of the variations in equity and of cash flows for the period of four months then ended and the corresponding attached notes.

Responsibilities

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations, the variations in equity and the cash flows, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to express an opinion on those financial statements based on our audit.

Scope

3. We conducted our audit in accordance with the Technical Rules and Directives of Reviews and Audits issued by the Portuguese Body of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit to involves performing procedures, on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements and the evaluation of the estimates made by the Board of Directors, used in its preparation. The audit also included the assessment as to the appropriateness of the accounting policies and accounting estimates used and disclosures made by the Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the financial statements referred in paragraph 1, give a true and fair view in all material respects, of the financial position of Cabovisão—Televisão por Cabo, S.A. as of 31 December 2012, and the results of its operations, the variations in equity and cash flows for the period of four months then ended, in accordance with the Portuguese generally accepted accounting principles.

Emphasis

5. As of 31 December 2012, the financial statements show accumulated losses amounting to, approximately 385,249,000 Euros, in part as a result of the significant depreciations related with the network. In addition, as of that date, current assets are lower than current liabilities, being the Company's Board of Directors understanding that the future operations will generate sufficient cash to cover the Company's liabilities and continue to develop its regular operations.

6. As mentioned in Note 2, as of 31 December 2012, the Company's share capital was acquired by Altice Group, which year-end closing date is 31 December of each year. Until 31 August 2012, the

Company's year-end closing date was 31 August of each year. In order to align the reporting periods, the Company changed its year-end closing date from 31 August to 31 December of each year. Accordingly, the financial statements as of 31 December 2012 (which include statements of income and of cash flows for the period of four months then ended) are not directly comparable with the financial statements as of 31 August 2012 (which include statements of income and of cash flows for the period of twelve months then ended).

7. The financial statements as of 31 August 2012, presented for comparative purposes, were audited by us and our opinion thereon dated 5 October 2012, include an emphasis paragraph similar to the matter described in paragraph 5 and another paragraph related with a matter that is not applicable to the financial statements as of 31 December 2012.

Reporting on other legal requirements

8. It is also our opinion that the financial information included in the Board of Directors Report is consistent with the information included in the financial statements.

Lisbon, 4 March 2013

BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.
Represented by Paulo Jorge Duarte Gil Galvão André
Balance Sheet as of December 31, 2012 and
August 31, 2012

CABOVISÃO—TELEVISÃO POR CABO, S.A.

BALANCE SHEET AS OF DECEMBER 31, 2012 AND AUGUST 31, 2012

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	31-12-2012	31-08-2012
Assets			
Non current assets:			
Tangible fixed assets	6	132.427.983	137.136.685
Clients	8	654.448	1.117.640
Total non-current assets		133.082.431	138.254.325
Current Assets:			
Clients	8	4.982.705	4.569.563
State and other public entities	9	280.000	210.000
Other accounts receivable	10	2.128.753	1.696.050
Deferrals	11	335.255	665.222
Cash and bank deposits	4	19.624.413	21.157.356
Total current assets		27.351.126	28.298.191
Total assets		160.433.557	166.552.516
Shareholder's equity and Liabilities			
Shareholder's equity			
Share capital			
Capital	12	5.000.040	5.000.040
Other equity instruments	12	461.740.143	478.840.143
Retained earnings	12	(382.070.691)	(364.186.970)
		84.669.492	119.653.213
Net loss		(3.178.194)	(17.883.721)
Total shareholder's equity		81.491.298	101.769.492
Liabilities			
Non-current liabilities:			
Provisions	13	5.368.983	5.008.483
Loans obtained	15	15.100.000	10.000.000
Total non current liabilities		20.468.983	15.008.483
Current liabilities			
Suppliers	18	28.007.572	27.462.183
State and other public entities	9	2.182.115	3.144.876
Loans obtained	15	9.900.000	
Other accounts payable	19	17.390.141	18.577.938
Deferrals	20	993.448	589.544
Total current liabilities		58.473.276	49.774.541
Total liabilities		78.942.259	64.783.024
Total liabilities and shareholder's equity		160.433.557	166.552.516

The accompaning notes are integral part of the balance sheet as of December 31, 2012.

The Chartered Accountant *The Board of Directors*

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE PERIODS BETWEEN SEPTEMBER 1, 2012 AND DECEMBER 31, 2012, SEPTEMBER 1, 2011 AND AUGUST 31, 2012 SEPTEMBER 1, 2011 AND DECEMBER 31, 2011

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	31-12-2012 (4 Months)	31-08-2012 (12 Months)	31-12-2011 (4 Months)
REVENUES AND LOSSES				
Sales and services rendered	21	38.835.812	118.233.468	39.579.539
Own work capitalized	6	1.030.426	2.498.722	266.204
Costs of goods sold and materials consumed	6	(67)	(1.086.654)	(642.633)
Supplies and external services	22	(23.926.014)	(83.776.623)	(28.454.719)
Wages and salaries	23	(2.971.543)	(13.660.300)	(4.220.497)
Impairment of assets ((loss) / reversals)	6	(28.600)		
Impairment of receivable ((loss) / reversals)	8	38.462	442.147	(102.036)
Provisions ((increase) / decrease)	13	(360.500)	190.234	142.589
Others income and gains	24	195.389	2.420.910	186.918
Other expenses and loss	25	(3.659.691)	(8.885.396)	(1.492.849)
Income before financial results, taxes and depreciation		9.153.674	16.376.508	5.262.516
Depreciation and amortization expenses	26	(11.642.092)	(33.278.179)	(1.292.586)
Impairment of assets	26	(7.192)	(635.719)	5.143
Operational losses (before financial results and taxes)		(2.495.610)	(17.537.390)	3.975.073
Interests and similar revenues	27	51.566	72.207	—
Interests and similar losses	27	(679.940)	(205.067)	(80.839)
Income before taxes		(3.123.984)	(17.670.250)	3.894.234
Income taxes of the year	7	(54.210)	(213.471)	—
Net loss of the year		(3.178.194)	(17.883.721)	3.894.234
Basic Earning per Share	30	(1,27)	(7,15)	1,56

The accompaning notes are integral part of the statment of profit and loss by nature for the periods between September 1, 2012 and December 31, 2012, September 1, 2011 and August 31, 2012, September 1, 2011 and December 31, 2011

The Chartered Accountant *The Board of Directors*

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF CASH FLOWS FOR THE PERIODS BETWEEN SEPTEMBER 1, 2012 AND DECEMBER 31, 2012, SEPTEMBER 1, 2011 AND AUGUST 31, 2012 SEPTEMBER 1, 2011 AND DECEMBER 31, 2011.

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	31-12-2012 (4 Months)	31-08-2012 (12 Months)	31-12-2011 (4 Months)
OPERATIONAL ACTIVITIES				
Receivable from clients		44.379.055	137.437.650	46.275.047
Payments to suppliers		(28.088.730)	(70.826.348)	(30.293.573)
Payments of salaries		(1.800.076)	(9.087.466)	(2.511.106)
Flows of operations		14.490.249	57.523.836	13.470.368
Other payments		(6.079.280)	(16.565.980)	(5.459.968)
Flows of operational activities [1]		8.410.969	40.957.856	8.010.400
Income before financial results, taxes and depreciation				
Payments				
Tangible fixed assets		(6.382.264)	(19.393.374)	(7.965.433)
Others assets		(6.382.264)	(19.393.374)	(7.965.433)
Receivables				
Interests and similar revenues		0	57.360	33.015
		—	57.360	33.015
Flows of investment Activities [2]		(6.382.264)	(19.336.014)	(7.932.418)
FINANCING ACTIVITIES				
Receivables				
Loans obtained		15.000.000	10.000.000	—
		15.000.000	10.000.000	—
Payments				
Interests and similar costs		(1.461.648)	(532.650)	(86.293)
Reduction of capital and other equity instruments		(17.100.000)	(18.000.000)	
		(18.561.648)	(18.532.650)	(86.293)
Flows of financing activities [3]		(3.561.648)	(8.532.650)	(86.293)
Change in cash and cash equivalents [4] = [1] + [2] + [3]		(1.532.943)	13.089.192	(8.311)
Cash and cash equivalents at the beginning of the year	4	21.157.356	8.068.164	8.068.164
Cash and cash equivalents at the end of the year	4	19.624.413	21.157.356	8.059.853

The accompaning notes are integral part of statements of cash flows for the periods between September 1, 2012 and December 31, 2012, September 1, 2011 and August 31, 2012, September 1, 2011 and December 31, 2011

The Chartered Accountant

The Board of Directors

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF CHANGES IN EQUITY

SEPTEMBER 1, 2012 AND DECEMBER 31, 2012; JANUARY 1, 2012 AND AUGUST 31, 2012; SEPTEMBER 1, 2011 AND DECEMBER 31, 2011.

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	Capital	Other equity instruments	Retained earnings	Net loss of the year	Total
Balance in September 1, 2011		30.000.240	496.840.143	(363.825.813)	(158.352.017)	4.662.553
Application of results from period ended in August 31, 2011		—	—	(158.352.017)	158.352.017	—
Net Profit for the year between 1st September 2011 and 31 December 2011					3.894.234	3.894.234
Balance in December 31, 2011		30.000.240	496.840.143	(522.177.830)	3.894.234	8.556.787
Application of results at end 31 December 2011						
Changes in the period:						
Others changes in shareholder's equity	5.1 e 6			132.990.660	—	132.990.660
				132.990.660		132.990.660
					—	—
Net Loss betwen period 1st January 2012 and 31 August 2012					(21.777.955)	(21.777.955)
Changes in the period with shareholders in period:						—
Reduction of capital	12	(25.000.200)	—	25.000.200	—	—
Others operations	12	—	(18.000.000)			(18.000.000)
		(25.000.200)	(18.000.000)	25.000.200	—	(18.000.000)
Balance in September 1, 2012		5.000.040	478.840.143	(364.186.970)	(17.883.721)	101.769.492
		—	—			—
Application of results from períod ended in August 31, 2012		—	—	(17.883.721)	17.883.721	—
Net Loss for the period ended December 31, 2012					(3.178.194)	(3.178.194)
Others operations	12	—	(17.100.000)			(17.100.000)
		—	(17.100.000)	—	—	(20.278.194)
Balance as December 31, 2012		5.000.040	461.740.143	(382.070.691)	(3.178.194)	81.491.298

The accompaning notes are integral part of the changes in equity for the periods between September 1, 2011 and December 31, 2011, January 1, 2012 and August 31, 2012, September 1, 2012 and December 31, 2012

The Chartered Accountant

The Board of Directors

CABOVISÃO—TELEVISÃO POR CABO, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(Amounts expressed in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

1. INTRODUCTORY NOTE

Cabovisão—Televisão por Cabo, S.A. (the ‘‘Company’’ or ‘‘Cabovisão’’) which was incorporated on January 26, 1993, has its the headquarter located in Palmela, Portugal, and its core business is the supply of cable television, high speed internet, digital television and telephony services throughout several regions of Portugal.

The Company is included in the Altice Group, being 100% owned by Altice Portugal, S.A., headquartered in Lisbon, which performs a set of transactions for the development of its operations (Notes 12 and 28), so its activity and results are influenced by decisions taken by the Altice Group.

Company’s activities are subject to Law nº. 5/2004 (The electronic communications law). This Law establishes the rules applicable to electronic communications networks and related services. ANACOM is responsible for the application of the Law and for making the necessary changes to records, licenses and authorizations issued under previous legislations. Under this framework, the Company has obtained licenses from ANACOM to provide cable television services for public use in 233 municipalities in Portugal as well as the licenses to public telecommunications networks and fixed telephony services. The Law does not establish expiring terms for these licenses, nor does it require assets to be reversible, as was required under previous legislation. The Company is also licensed by ANACOM to provide telephony and internet data transmission services.

The financial statements were authorized for issuance on 4th March 2013, by the Board of Directors and will be subject to approval by the General Assembly in accordance with company law in force in Portugal.

On 13th October 2012, , was sent to the Director of Tax Services Personal Income Collective, authorization to amend the tax period from September to August to January to December, in accordance with paragraph 4, paragraph d) of Article 8 of the CIRC, which was approved on 17th October 2013, and adopted from January 1, 2013.

2. REFERENCE ACCOUNTING SYSTEM USED IN THE PREPARATION OF FINANCIAL STATEMENT

As mentioned in the introductory note, the accounting period was changed from September to August to January to December, this period being adopted from 1 January 2013. In this context, the financial statements were prepared for the year ended 31 December 2012 which comprises only 4 months period then ended, corresponding to the period between the date of the last financial statements issued based on the previous Fiscal period and the start date of the new Fiscal year, so that the financial statements of 2012 are not comparable with those presented in the August 31, 2012.

Accordingly, for a better understanding of the financial statements, these include for comparison purpose the income statement by nature, cash flows and changes in equity, for the four months ended December 31, 2011.

These financial statements were prepared in accordance with the legal accounting legislation applicable in Portugal, effective as from the exercises started on January 1, 2010, in accordance with the Decree-Law 158/2009 of July 13, 2009, and the conceptual structure, accounting and financial reporting rules (‘‘NCRF’’) and interpretation rules (‘‘NI’’), approved by the rules 15652/2009, 15655/2009 and 15653/2009 of August 27, 2009, which together constitute to the Portuguese Accounting System (‘‘Sistema de Normalização Contabilística’’ or ‘‘SNC’’). These standards and interpretations are generally named ‘‘NCRF’’.

3. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the financial statements are the following:

3.1. Basis of presentation

The financial statements were prepared on a going concern basis, as from the Company's accounting records, in accordance with the principles defined in NCRF, applicable at the date of these financial statements presentation.

3.2. Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost, net of accumulated depreciation and impairment losses. The acquisition cost includes the cost of purchase and any incurred costs directly attributable to activities necessary to put the assets in the location (including restoration local costs),and estimated costs of dismantling and removing the assets.

Costs associated with installation of cable television, internet and telephone services of customers are recorded in tangible fixed assets under the caption of ''Basic Equipment''.

The useful lives and depreciation method of the assets are reviewed annually. The effect of any changes in estimate is recognized prospectively in the income statement.

Depreciation is calculated using a straight forward method as from the month the assets are available to be use, during the expected useful life for each kind of fixed assets. Tangible fixed assets are depreciated according to the following estimated useful lives:

	Years
Buildings and other constructions	5 a 20
Basic equipment	4 a 20
Transport equipment	4
Administrative tools	3 a 8
Others tangible fixed assets	5 a 8

Capital gains (or losses) resulting from the disposal or write-off of a tangible fixed asset are determined as the difference between the net proceeds and the net book values of the assets and are recognized in the income statement when occurred in caption of ''other income and operational costs''.

Other tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. It is considered as cost of acquisition plus any attributable expenses, estimated costs of dismantlement, removal and restoration of the assets of the local installation/operation thereof. These assets are depreciated by the straight-line method from the date on which they are available for use in the intended use, in accordance with the period of useful life.

3.3. Leasing

Leasing contracts are classified as (i) as financial whenever risks and rewards associated with the ownership or the right of use of the assets are substantially transferred to the lessee, (ii) as operational when risks and rewards associated with the ownership or the right of use of the assets aren't substantially transferred to the lessee

The classification of the finance and operational leases is made based on the contract's substance and not on its form.

Assets acquired under finance leases, and the corresponding liabilities are recorded by the financial method. According with this method, the expense of the asset is recorded as tangible asset, at the

3. MAIN ACCOUNTING POLICIES (Continued)

beginning of the lease at the lower of the present value of the future rents or the fair value of the assets at the date of the contract, by contrast of the corresponding liability. Assets are depreciated according with their estimated useful life, payments are recorded as Payments of finance leases are divided into interests and a reduction of liability, interests and the depreciation of the asset are recognized as expenses in the period in which they are incurred, in order to obtain a constant interest rate on the outstanding balance of the liability.

The operating lease payments are recognized as expense on a straight line basis over the lease period. The incentives received are recorded as a liability, being the aggregate amount of the same, and recognized as a reduction in leases' expenses, also on a straight line basis.

Contingent rents are recognized as expenses in the period in which they are incurred.

3.4. Impairment of tangible assets

An impairment evaluation is made whenever it is identified an event or change in circumstances indicating that the amount by which the asset is registered may not be recovered.

Whenever there is some indication that the tangible fixed assets of the Company may be impaired, an estimate of its recoverable value is made as to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Whenever the amount by which the asset is registered is higher than the recoverable amount, an impairment loss is recognized, recorded in the income statement.

The recoverable amount of the asset or cash-generating unit is the higher of (i) the fair value less costs to sell and (ii) the value in use. In determining the amount of use, the estimated future cash flows are discounted using a discount rate that reflects market expectations for the time value of money and the risks specific to the asset or cash-generating unit for which the estimates of future cash flows have not been adjusted. An impairment loss is recognized when the net value of the asset or cash-generating unit exceeds its recoverable amount. The impairment loss is recorded immediately in the income statement, unless such loss offsets a revaluation surplus recorded in equity. In this case, such loss is treated as a decrease of such revaluation.

The reversal of an impairment loss recognized in prior years is recorded when there are certainties that the impairment loss is no longer applicable or has been decreased. The reversal of impairment loss is recognized in the income statement, in the caption ''Impairment losses reversal''. The reversal of the impairment loss is made up to the amount that would be recognized (net of depreciation) if the loss had not been recorded.

3.5. Income tax

The income tax is recorded in accordance with the criteria of IAS 25—''Income Taxes''. In measuring the relative cost to the tax on income for the year, in addition to the current tax, calculated based on income before tax, adjusted by the tax laws applicable, are also considered the effects of temporary differences between income before taxes and taxable income arising of the results from prior years, as well the effect of tax losses carried forward at balance date.

As reported in the rule mentioned above, deferred tax assets only when there is reasonable assurance that these may be used to reduce future taxable income, or when there are deferred tax liabilities whose reversal is expected in the same period in which the tax deferred tax assets are reversed. At the end of each financial year the Company reviews the deferred tax assets, which are reduced when longer probable future use.

3. MAIN ACCOUNTING POLICIES (Continued)

The compensation between assets and liabilities of deferred taxes is allowed only in the following situations: (i) The Company has the legal right of compensate assets with liabilities for liquidation purposes; (ii) assets and liabilities are related with income tax charged by the same Tax Authority and; (iii) the Company intends to compensate assets and liabilities.

3.6. Inventories

Inventories are valued at cost or net realizable value, whichever is lower, using the average cost method as costing.

3.7. Financial assets and liabilities

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes part to the contractual provisions corresponding.

Financial assets and financial liabilities are measured at cost or amortized cost.

Financial assets and financial liabilities are measured at cost or amortized cost less any accumulated impairment losses (in the case of financial assets) when:

- Whether the spot or have a maturity defined, and
- Have an associated return fixed or determinable, and
- Not whether or not incorporating a derivative financial instrument.

Amortized cost is the value by which a financial asset or financial liability is measured at initial recognition, less capital repayments, plus or minus the cumulative amortization, using the effective interest rate, any difference between that amount in maturity. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts in the net book value of the financial asset or liability.

The financial assets and financial liabilities at cost or amortized cost include:

a) *Accounts receivables and other*

Accounts receivable and other receivables are recorded at amortized cost less any impairment losses. Usually, the amortized cost of financial assets does not differ from its nominal value.

b) *Cash and cash equivalents*

Cash and cash equivalents includes cash and overnight deposits, and that can be mobilized immediately with insignificant risk of changes in value.

c) *Accounts payable and other;*

The balances of suppliers and other payables are booked at amortized cost. Usually, the amortized cost of these liabilities does not differ from its nominal value.

d) *Financing obtained.*

The financing obtained are recorded as liabilities at amortized cost.

They are still classified as ‘‘at cost or amortized cost’’, being measured at cost less accumulated impairment losses, the contracts to grant or loans that cannot be settled on a net basis and, when executed, fulfill the conditions described above.

3. MAIN ACCOUNTING POLICIES (Continued)

Amortized cost is determined using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net book value of the financial asset or liability.

Impairment of financial assets

Financial assets classified in the category ''at cost or amortized cost'' are tested for impairment at each reporting date. Such financial assets are impaired when there is objective evidence that, as a result of one or more events after the initial recognition, their estimated future cash flows are affected.

For financial assets measured at amortized cost, the impairment loss recognized corresponds to the difference between the net present value of the estimated future cash flows of the assets and the carrying amount at the respective original effective interest rate.

For financial assets measured at cost, the impairment loss recognized corresponds to the difference between the assets' carrying amount and the best estimate of fair value of the asset.

Subsequently, if the amount of the impairment loss decreases, and this decrease can be related objectively to an event that took place after the recognition of loss, this must be reversed in the income statement. The reversal shall be effected within the limits of the amount that would be recognized (amortized cost) if the loss had not been initially recorded. Reversal of impairment losses are recognized in the caption ''Reversal of impairment losses.''

Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows expire, or when the financial assets and the risks and rewards of its ownership are transferred to another entity. The Company derecognizes the financial assets transferred, when the transfer of control effectively takes place for the same risk and significant retained rewards.

The Company derecognizes liabilities only when the corresponding obligation is settled, canceled or expires.

3.8. Provisions, contingent liabilities and assets

Provisions

Provisions are recognized when the following conditions are met cumulatively: i), the Company has a present obligation (legal or implicit) resulting from a past event; ii) event under which it is probable that it will have an outflow of resources to resolve the obligation, iii) and the amount of the obligation can be reasonably estimated.

The established provision is the management's best estimate of the net present value, at each balance sheet date, of the obligation and the estimate is determined considering risks and uncertainties related with said obligation.

At each balance sheet date, provisions are reviewed and adjusted to reflect the management's best estimate at that date. When it is no longer probable settlement of the obligation, the provision is reversed

The present obligations arising from onerous contracts are recognized and measured as provisions. There is an onerous contract when the company is part of the provisions of a contract or agreement, the fulfillment of which has associated costs that cannot be avoided, which exceed the economic benefits resulting from the same.

3. MAIN ACCOUNTING POLICIES (Continued)

A provision for restructuring is recognized when the Company develops a detailed formal restructuring plan and begins to implement it or announces its main components to its stakeholders. In measuring the provision for restructuring only those expenditures that derive directly from the corresponding implementation plan are considered and therefore not those related to the ongoing activities of the Company.

Contingent Liabilities

Contingent liabilities are not recognized in financial statements, but are disclosed if the possibility of an outflow of resources covering economic benefits is not remote.

Contingent Assets

Contingent assets are not recognized in the financial statements, but are disclosed when it is probable that a future economic inflow will occur.

3.9. Transactions and balances in foreign currency

Transactions in currencies other than the Euro are recorded at the rates prevailing on the transaction dates.

Assets and liabilities denominated in foreign currencies are translated into Euro using the exchange rates prevailing at the balance sheet date.

The non-monetary assets and liabilities recorded in accordance with the fair value denominated in foreign currencies are translated into euros using the exchange rate in effect on the date when the fair value was determined.

As of December 31, 2012 and August 2012 the assets and liabilities expressed in foreign currency were converted to Euro at the following currency:

Foreign Currency	31-12-2012	31-08-2012
USD—United States Dollar	1,319	1,261
CA—Canadian Dollar	1,314	1,249
Francs—Suice(CHF)	1,207	1,201
Ground pounds(GBP)	0,816	0,795

3.10. Revenue

Revenue is measured at the fair value of received or receivable installment.

Revenue from the sale of telephones, modems and installation of additional outlets is recognized in income statement when i) all risks and rewards associated with ownership of the assets were transferred to the buyer; ii) the Company does not maintain any control over the goods sold; iii) the amount of revenue can be reliably measured; iv) it is probable that future economic benefits associated with the transaction will flow to the Company; v) costs incurred or to be incurred for the transaction are measured reliably.

Revenue from rendering of services is recognized in the income statement given the stage of completion of the transaction / service at the balance sheet date and when i) the amount of revenue is reliably measured, ii) the stage of completion at the balance sheet date is reliably measured and, iii) the costs incurred or to be incurred for the transaction are measured reliably.

3. MAIN ACCOUNTING POLICIES (Continued)

Revenue from cable television service, internet service, phone service and interconnection are recognized when services are rendered. Promotional offers are accounted for as a deduction of revenue at the time that the costumer is entitled to use such offers.

Since there are no certainties of receiving invoiced penalties these are accounted as deferred revenue, and are recognized as revenue on a cash basis.

It is the Company's policy to disconnect a customer after a certain period (usually 4 months) of providing services without receiving payment.

Interest revenue is recognized using the effective interest method, provided it is probable that economic benefits will flow to the Company and the amount can be reliably measured.

3.11 Accrual

The income and expenses are recorded according to the accrual basis for which is recognized as it accrues, regardless of when they are received or paid. The differences between the amounts invoiced to customers or invoiced by suppliers and the amounts of income and expense recognized in the income statement are recorded as assets or liabilities.

3.12. Borrowing costs

Financial costs related to borrowings are generally recognized as expenses when incurred.

3.13. Subsequent events

Events that occur after the balance sheet date that provide additional information on conditions that existed as balance sheet date are reflected in the financial statements. Events that occur after the balance sheet date that provides information on conditions that exist after the balance sheet date, if material, are disclosed in the financial statements.

3.14. Value judgments (except those involving estimations) that the board of management made in the process of applying the accounting policies and that have greater impact on the amounts recognized in the financial statements

In the preparation of the financial statements judgments, estimates and assumptions that can affect the value of assets and liabilities as well as of their income and cost were made.

Estimates used are based on the best information available during the preparation of the financial statements, the events and transactions in progress, as well as on the experience of past and/or current events. However, future events neither controlled nor foreseeable by the Company could occur and have an impact on those estimates. Changes to estimates used by management that occur after the date of the financial statements are recognized in income statement, using a prospective methodology. Consequently and considering the uncertainty level related, the real result of the transactions can be different from the assumptions performed.

To measure the fair value of assets and consequent impairment, the Company obtained independent valuations for each of the periods.

The main value judgments and estimates made in the preparation of the financial statements were as follows:

- *Expected life of fixed assets;*

3. MAIN ACCOUNTING POLICIES (Continued)

- *Impairment of inventories;*

  The Company believes that calculate the adjustment to the depreciation of the assets in accordance with the life thereof, from the beginning of its use.

- *Impairment losses for accounts receivables;*

  The impairment of receivables are based on the aging of accounts receivable, 50% of the balance of active customers between 90 and 120 days old, 100% of active customers with balances over 120 days overdue, and all balances owed from disconnected subscription accounts are included in the calculation of the provision. In assessing the provision amount, the Company evaluates the likelihood of recovering value added taxes (''VAT'') collected by the state and applies for its refund as provided for in article 78 of the VAT.

4. CASH AND CASH EQUIVALENTS

4.1 Cash and cash equivalents not available for use

On December 31, 2012, the balance of the caption deposits and short deposits includes deposits of collateral pledged as security for suspension of tax enforcement proceedings with Direção Geral de Contribuições e Impostos (DGCI) and the Municipality of Almada in the amounts of 8,464,479 Euros and 876,027 Euros respectively.

4.2. Cash and Equivalents

Cash and cash equivalents as of December 31, 2012 and August 31, 2012 were as follows:

	31-12-2012	31-08-2012
Cash	14.592	14.670
Bank Deposits	10.269.315	11.802.180
Other deposits[(i)]	9.340.506	9.340.506
	19.624.413	21.157.356

(i) On December 31, 2012, this value is given as collateral and bear interest at current market rates (Note 4.1).

The cash and cash equivalents includes cash, demand deposits and term deposits with maturity less than three months, and for which the risk of change in value is insignificant.

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

During the years ended December 31, 2012 and August 31, 2012, there were no changes in accounting policies or significant changes in estimates.

5.1. Material errors related with prior period:

In the year ended August 31, 2011, the Company recorded an impairment loss regarding to key plant and equipment related to ''network'' in the amount of 141,663,813 Euros. During the year ended August 31, 2012, the Company performed an impairment review of the amount recorded in the previous year (responsibility of the respective previous shareholders and Board of Directors), and it was concluded that there were no valid rational to support it, so the Company reversed all that the recorded impairment (as well as the amortization recorded for the months of June to August 2012, which had not been recorded that year, amounting to 8,852,841 Euros). Because the understanding is that this situation is framed in which is defined in NFRS 4, this reversal and amortization unregistered ones, were

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (Continued)

recorded directly in retained earnings in the amount of 132,990,660 Euros total net (Note 6) which had the following impact :

	Impact: Débit / (Crédit)			
Description of relevant adjustments	**Assets**	**Liabilities**	**Retained earnings**	**Profit/Loss**
Reversal of the impairment of the network . . .	141.843.501	—	(141.843.501)	—
Accumulated depreciation not booked	(8.852.841)	—	8.852.841	(8.852.841)
	132.990.660	—	(132.990.660)	(8.852.841)

6. TANGIBLE FIXED ASSETS

During the years ended December 31, 2012 and August 31, 2012, the movement of fixed assets, as well as the accumulated depreciation and accumulated impairment losses were as follows:

As of December 31, 2012:

	Land and Other natural resources	Buildings and Other construction	Basic equipment	Transportation equipment	Administrative equipment	Other fixed tangible assets	Fixed tangible assets in progress	Total
Gross Assets:								
Balance at August 31, 2012	275.960	6.101.923	460.499.541	24.874	21.786.069	490.923	7.320.254	498.499.544
Acquisitions	—	225	2.728.340	3.642	669.350	—	3.974.481	7.376.038
Write-offs	—	—	—	—	—	—	(192.028)	(192.028)
Transfers	—	—	4.415.043	—	—	—	(4.415.043)	—
Adjustments	—	—	—	—	—	—	(214.828)	(214.828)
Balance at December 31, 2012	275.960	6.102.148	467.642.924	28.516	22.455.419	490.923	6.472.836	503.468.726
Acumulated depreciation and impairment losses:								
Balance at August 31, 2012	—	(4.077.670)	(335.000.027)	(21.275)	(19.182.807)	(393.313)	(687.767)	(359.362.859)
Reinforcements:								
Depreciation for the year (Note 26) . .	—	(117.497)	(11.067.230)	(534)	(441.797)	(15.034)	—	(11.642.092)
Impairment for the year[(a)]	—	—	—	—	—	—	(35.792)	(35.792)
Balance at August 31, 2012 .	—	(4.195.167)	(346.067.257)	(21.809)	(19.624.604)	(408.347)	(723.559)	(371.040.743)
Net book value at December 31, 2012	275.960	1.906.981	121.575.667	6.707	2.830.815	82.576	5.749.277	132.427.983

(a) The losses per impairment recognized in year end in 31th December 2012, is as follows:

Wharehouse (Note 6)	28.600
Others fixed assets under construction (Note 26)	7.192
	35.792

6. TANGIBLE FIXED ASSETS (Continued)

During the year ended December 31, 2012, the mainly investment is related with caption of basic equipment, and are related with acquisition of the new model of set up boxes and installation cost of new subscribers.

As of August 31, 2012:

	Land and other natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other fixed tangible assets	Fixed tangible assets in progress	Total
Gross Assets:								
Balance at August 31, 2011	275.960	6.097.894	452.225.063	21.199	20.124.982	490.286	10.102.058	489.337.442
acquisitions	—	4.029	9.927.394	3.675	554.871	—	5.541.066	16.031.035
Disposals	—	—	(6.277.933)	—	(143.990)	—	(155.859)	(6.577.782)
transfers	—	—	4.628.917	—	1.249.849	637	(5.879.403)	—
adjustments	—	—	(3.900)	—	357	—	(2.287.608)	(2.291.151)
Balance at August 31, 2012	275.960	6.101.923	460.499.541	24.874	21.786.069	490.923	7.320.254	496.499.544
Accumulated depreciation and impairment losses:								
Balance at August 31, 2011	—	(5.558.608)	(438.173.966)	(21.199)	(19.737.898)	(421.571)	—	(463.913.242)
Reinforcements (Note 26):								
Depreciation for the year	—	(351.497)	(32.018.025)	(76)	(868.107)	(40.474)	—	(33.278.179)
Impairment losses for the year	—	—	—	—	—	—	(687.767)	(687.767)
Disposals	—	—	5.614.815	—	143.990	—	—	5.758.805
adjustments:								
Depreciation for the year (Note 5.1)	—	(102.047)	(8.499.248)	—	(240.303)	(11.243)	—	(8.852.841)
Reverse of Impairment losses	—	1.934.482	138.076.397	—	1.519.511	79.975	—	141.610.365
Balance at August 31, 2012	—	(4.077.670)	(335.000.027)	(21.275)	(19.182.807)	(393.313)	(687.767)	(359.362.859)
Net book value at August 31, 2012	275.960	2.024.253	125.499.514	3.599	2.603.262	97.610	6.632.487	137.136.685

The year ended August 31, 2012, the Company reversed the caption of tangible network, and impairment that had registered for the year ended August 2011, amounting to Euro 141,610,345 (Note 5.1).

6. TANGIBLE FIXED ASSETS (Continued)

Capitalized Costs:

During the years ended December 31, 2012 and August 2012, the Company proceeded to the capitalization of internal costs related to network construction, amounting to 1.030.426Euros and 2,498,722Euros respectively through the rubric of ''Own work capitalized.''

As of December 31, 2012 and August 2012, the detail of the caption ''Construction in progress'' is as follows:

	31-12-2012	31-08-2012
Gross Value:		
Inventory	3.723.444	2.830.888
Materials and subcontracts	1.456.131	3.303.178
Software in installation	1.238.725	578.788
Digital decoders	957	553.821
Buildings	53.579	53.579
	6.472.836	7.320.254

The cost of goods sold at December 2012 and August 2012, was as follows:

December 31 2012

	Goods
Initial inventory	2.830.888
Purchases	2.683.869
Sales and write-off's	(61.000)
Regularizations[(i)]	5.213
Transfers to fixed assets	(1.735.459)
Final Balance	(3.723.444)
	67

August 31 2012

	Goods
Initial inventory	4.799.570
Purchases	8.381.768
Sales and write-off's	(155.858)
Regularizations[(i)]	(1.199.966)
Transfers to fixed assets	(7.907.972)
Final Balance	(2.830.888)
	1.086.654

[(i)] In the years 2012 and 2011, the adjustments relate to materials and equipment used in maintenance activities on network and installation clients.

6. TANGIBLE FIXED ASSETS (Continued)

Impairment losses

During the years December 2012 and August 2012, the movement in impairment losses for inventories was as follows:

December 31 2012

	Goods
Balance as of August 31, 2012	(676.080)
Increases	28.600
Utilizations	(108.766)
Balance as of December 31, 2012	(756.246)

August 31 2012

	Goods
Balance as of August 31, 2011	(2.585.960)
Reversals	938.038
Utilizations	971.842
Balance as of August 31, 2012	(676.080)

7. TAXES

The Company is subject to corporate income tax at the rate of 25%, increased by a municipal surcharge at the applicable rate up to 1.5%), resulting in an aggregate rate of a maximum of 26,5%. Additionally, any taxable profit in excess of Euros 1,5 million is subject to a State surcharge of 3%, being 5% if the taxable net, or exceeds 10,000,000 Euros, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, the Company is subject to autonomous taxation over some costs incurred by the Company at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security).These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, the Company’s tax returns for the years 2009 to 2012 are subject to review by the tax authorities.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

Notification for fiscal year 2003 to adjust tax losses by 7,284,000 Euros and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of 1,295,000 Euros. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of 1,685,000 Euros. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal unfounded. Cabovisão appealed of that decision.

Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of 17,146,000 Euros, as well as an additional tax payment in the amount of 4,051,000 Euros for withholding tax and stamp tax. The Company paid 2,617,000 Euros and contested this decision of the

7. TAXES (Continued)

assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of, approximately, 1,044,000 Euros was contested by hierarchic appeal. In the year ended 31 August, 2012, the Corporate Tax accepted the claim. As of today, there were not any subsequent deliberations after that decision.

For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately 4,900,000 Euros. The Company doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately 6,779,000 Euros. As of 31 December, 2012, the administrative and tax court of Almada didn't pronounce on that claim, therefore it wasn't taken any subsequent deliberations.

The Board of Directors believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded (Note 13) will not have a significant effect on the financial statements on December 31, 2012.

Income tax expense for the year

On December 31, 2012 and August 2012 the income tax for the year is presented as follows:

Current Tax:

	31-12-2012	31-08-2012
Current Tax:		
Current Tax	54.210	213.471
	54.210	213.471

7. TAXES (Continued)

Reconciliation of tax rate:

	31-12-2012	31-08-2011
Loss before tax	(3.123.984)	(17.670.250)
Permanent differences[(i)]	2.342.000	7.574.988
Taxable income	(781.984)	(1.095.262)
Tax nominal of income	25,0%	25,0%
	(195.496)	(2.523.816)
Adjustments to the collection[(ii)]	54.210	213.471
Fiscal loss to reported	195.496	2.523.816
Tax on income for the year	54.210	213.471
Effective tax rate	0,00%	0,00%
Current tax (Note 9)	54.210	213.471
	54.210	213.471

(i) On December 31, 2012 and August 2012, this amount was as follows:

	31-12-2012	31-08-2012
Depreciation	1.319.510	3.958.531
Write-off's	984.577	3.392.063
Fines, penalties and interest compensation	37.913	2.346
Gains-loss on fixed assets	—	168.484
Termination benefits and other employment benefits	—	90.011
Corrections related with previous years		13.958
Fiscal benefits		(37.275)
Variation on negative patrimonial		(47.307)
Accounting gains on write-off's		(45.544)
Reversals of provisions taxed		(190.234)
Others, net		269.955
	2.342.000	7.574.988

(ii) Adjustments to taxable income in the years ended December 31, 2012 and August 2012 are related to taxation of spending on light vehicles and representation expenses.

Deferred tax

On December 31, 2012, the Company chose not to register in the financial statements, the deferred tax assets related to tax losses as there is no reasonable expectation that future results generated by the operating activities of the Company are sufficient to accomplish.

Under current legislation, tax losses are carried forward for a period of four years (six years until 2010) after its occurrence and susceptible to deduction to taxable income generated during that period, unless it is determined at the date of expiry of tax period in which the deduction is made, that in relation to those who respect the losses, modified the object of the entity to which it relates, or significantly amended, the nature of the business previously carried on, or that the change occurs ownership of at least 50% of the share capital or a majority of voting rights, as stipulated in paragraph 1 of Article 52 of the IRC Code. In this context, the Company requested the tax authorities a request for preservation of tax losses, application made prior to the acquisition by Altice Portugal, SA on March 1, 2012, on which still unanswered. Until the answer is delivered, the Company may only use the tax losses generated after the acquisition.

7. TAXES (Continued)

On December 31, 2012, the tax losses generated amounted to 52.086.186 Euros and mature as follows:

Period the Tax loss was generated	Period the Tax loss was expires	Tax losses not considered reportable to effect of deferred tax
2008	2014	9.069.758
2009	2013	13.299.848
2010	2014	18.839.334
2011	2016	10.095.262
2012	2017	781.984
		52.086.186

8. ACCOUNTS RECEIVABLE

As of December 31, 2012 and August 31, 2012 the accounts receivable of the Company are as follows:

	31-12-2012			31-08-2012		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non current costumers:						
Clients current accounts[(a)]	654.448	—	654.448	1.117.640	—	1.117.640
	654.448	—	654.448	1.117.640	—	1.117.640
Current costumers						
Clients current accounts	3.432.033	—	3.432.033	3.482.671	—	3.482.671
Clients doubtful collection	4.009.210	(2.458.538)	1.550.672	3.583.892	(2.497.000)	1.086.892
	7.441.243	(2.458.538)	4.982.705	7.066.563	(2.497.000)	4.569.563
	8.095.691	(2.458.538)	5.637.153	8.184.203	(2.497.000)	5.687.203

(a) On December 31, 2012, there are accounts receivable from Fibnet and Aveicabo, amounting to 915.961 Euros and 773.820 Euros, respectively, related to the sale of materials and equipment to be consumed on the premises of new Company's customers, and are expected to be settled within 24 months. The values of installments to be receivable on a term exceeding one year, amounting to 350,905 Euros and 390,700 Euros respectively were valued at their present value determined based on an average rate of 11%.

8. ACCOUNTS RECEIVABLE (Continued)

Impairment losses

During the years ended December 31, 2012 and August 31, 2012, the movement in impairment losses for customers was as follows:

December 31, 2012

	31-12-2012
Balance as of August 31, 2012	2.497.000
Increase	946.116
Use	(984.578)
Balance as of December 31, 2012	2.458.538

August 31, 2012

	31-08-2012
Balance as of August 31, 2011	2.771.538
Increase	3.109.807
Reversals[a]	7.718
Use	(3.392.063)
Balance as of August 31, 2012	2.497.000

[a] This amount is the result of adjustments of various amounts of customer balances and the amounts of VAT relating to business clients.

9. STATE AND OTHER PUBLIC ENTITIES

On December 31, 2012 and August 31, 2012, this caption was as follows:

	31-12-2012		31-08-2012	
	Asset	Liability	Asset	Liability
Corporate Income Tax				
Estimation of income tax (Note 7)	—	—	—	213.471
Income tax—2011	—	200.082	—	—
Income tax—2012		54.210		
Withholding taxes (‘‘IRS’’)		(3.980)		(13.389)
Advance Payments[a]	280.000	—	210.000	—
VAT	—	1.701.896	—	2.552.311
Withholding taxes (‘‘IRS’’)	—	86.617	—	154.943
Social Security Contribuitions	—	143.000	—	237.249
Others	—	290	—	291
	280.000	2.182.115	210.000	3.144.876

[a] On December 31, 2012, the Company recorded under ‘‘Advance Payments’’ tax for the years 2009 to 2012, resulting from tax losses deductible in these years and not used.

10. OTHER ACCOUNTS RECEIVABLE

On December 31, 2012 and August 2012, this caption was as follows:

	31-12-2012			31-08-2012		
	Gross Value	Accumulated impairment losses	Net Value	Valor bruto	Perdas por imparidade acumuladas	Valor líquido
Other accounts receivable						
Employees	100.591	—	100.591	105.314	—	105.314
Others		—	—		—	—
Others						
Cautions[a]	98.188	—	98.188	36.423	—	36.423
Others	56.041	—	56.041	121.916	—	121.916
Accrued income:						
Cable Television Billing	117.960	—	117.960	59.186	—	59.186
Internet Billing	30.683	—	30.683	30.464	—	30.464
Phone Billing	1.539.269	—	1.539.269	1.156.462	—	1.156.462
Others[b]	186.021	—	186.021	186.285	—	186.285
	2.128.753	—	2.128.753	1.696.050	—	1.696.050

[a] During the years ended December 31, 2012 and August 31, 2012, the caption ''Others Cautions'', includes mainly an advance of approximately 57,000 Euros to Sonae Sierra Management SA, related to the proper performance of the lease and rights of use for shop (Rio Sul Shopping and other cautions to guarantee performance and work performed in the ''network''.

[b] On December 31, 2012, the item ''Accrued Income—Others'' includes the disposal of materials and equipment to be consumed on the premises of new customers to the Company's suppliers ''service provider'' Fibnet, SA and Aveicabo, SA amounting to 159,791 Euros and 27,117 Euros respectively.

11. DEFERRED ASSETS

On December 31, 2012 and August 2012, this caption was as follows:

	31-12-2012	31-08-2012
Supplies and external services		
Computer Assistance	171.543	319.472
Rentals	53.109	59.085
Insurances	96.008	50.467
Municipality Taxes	290	2.658
Other services[a]	14.305	233.540
	335.255	665.222

[a] Caption ''Other services'' includes office supplies, content contracts and interconnection of operators and maintenance.

12. EQUITY

Equity composition:

On December 31, 2012, the Company's share capital was fully subscribed and paid amounted to Euros 5,000,040, consisting of 2,500,020 shares with a nominal value of 2 euros being held as follows:

	31-12-2012		31-08-2012	
	%	Amount	%	Amount
Altice Portugal, S.A.	100%	5.000.040	100%	5.000.040
		5.000.040		5.000.040

Other equity instruments

The other equity instruments correspond to additional paid subordinate, under the supplementary payments, which do not bear interest, and in accordance with the applicable commercial law, can only be returned to shareholders since the equity are not, after restitution , less than the sum of capital and legal reserve.

During the year ended December 31, 2012, the Company made a repayment of supplementary subject in supplementary benefits scheme, totaling 17.1 million Euros, according to resolutions passed by the General Assembly (minutes nºº. 68 and nºº. 71) held on September 26, 2012 and November 9, 2012, respectively.

Legal reserve:

The legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until it represents at least 20% of capital. This reserve is not distributable except in case of liquidation of the Company, but can be used to absorb losses after the other reserves, or increase capital.

Retained earnings:

During the year ended August 31, 2012, the Company made a number of adjustments that recorded directly in retained earnings, amounting to Euro 132,990,660 (Note 5.1).

Application of results:

As decided by the General Meeting held on November 5th, 2012, net loss for the year ended 31 August 2012 was fully transferred to Retained Earnings.

13. PROVISIONS

During the years December 2012 and August 2012, there were the following changes in the balances of provisions:

December 31 2012:

	Provision for Lawsuits	Others provisions	Total
Balance as of August 31, 2012	26.715	4.981.768	5.008.483
Reduction/Adjustments	360.500	—	360.500
Balance as of December 31, 2012	387.215	4.981.768	5.368.983

13. PROVISIONS (Continued)

During the year ended December 31, 2012, the Company performed the increase of amount of 380.500 Euros, regarding to ongoing processes began by third parties, related with eventual contractual liabilities.

Other provisions aim to tackle tax claims and match management's best estimate, supported by the opinion of its legal counsel.

August 31, 2012:

	Provision for Lawsuits	Others provisions	Total
Balance as of August 31, 2011	67.078	5.178.164	5.245.242
Reduction/Adjustments	(40.363)	(196.396)	(236.759)
Balance as of August 31, 2012	26.715	4.981.768	5.008.483

During the year ended August 31, 2012, the Company performed the cancellation fines relating to ongoing processes.

14. CONTINGENT ASSETS AND LIABILITIES

Contingent assets

During the year ended December 31, 2012 and during the analysis of the Decree-Law n º 123/2009 of 21 May, the Company made the decision not to pay any fees charged by municipalities, in addition to TMDP. Additionally, there is the claim reimbursement of fees paid in prior years that were deemed improperly charged. On December 31, 2012, the Company had outstanding claims against several municipalities, totaling 3.627.093 Euros. To present date, the Company received 102,004 Euros from seven municipalities.

Contingent liabilities

a) *Bank guarantees:*

	31-12-2012	31-08-2012
Tax Authority	8.464.479	8.464.479
City Council	889.159	889.159
Third Parties	13.633	13.633
	9.367.272	9.367.272

b) *Real guarantees:*

On December 31, 2012, there is a bond issued by the Company in the amount of 25 million Euros which was fully underwritten by Goldman Sachs International (Note 15) a collateralized financial first degree of all bank accounts held by the Company (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depósitos, S.A.) and pledge the shares representing the Company's share capital and shareholders' rights.

14. CONTINGENT ASSETS AND LIABILITIES (Continued)

c) *Other contingent liabilities:*

As a result of refusal by the Company to pay the municipal taxes referred to above (since September 2010), was initiated by the municipality of Almada, a process executive for payment of fees from 2006 to 2009, amounting to approximately 681,000 Euros. It is the understanding of the Board of Directors, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

Additionally, there are several legal proceedings, initiates by third parties, in particular, claimed by several suppliers, with responsibilities related supplies equipment and services, totaling approximately 80,000 Euros. On that date, the Company recorded no provision for being his understanding that the outcome thereof will be favorable.

15. LOANS OBTAINED

On December 31, 2012 and August 31, 2012, this caption is as follows:

	31-12-2012		31-08-2012
	Current	Non Current	Non Current
Bond Loan	9.900.000	15.100.000	10.000.000
	9.900.000	15.100.000	10.000.000

On December 31, 2012 and August 31, 2012, the detail of this loan is as follows:

		31-12-2012		31-08-2012	
Funding Entity	Due date	Current	Non Current	Current	Non Current
Goldman Sachs[(a)]	16-05-2015	—	—	—	10.000.000
Goldman Sachs[(b)]	31-01-2015	9.900.000	15.100.000		
		9.900.000	15.100.000	—	10.000.000

(a) On May 10, 2012, was approved in the minutes of the General Assembly to issue a bond in the amount of 10,000,000 Euros, issue about 200 variable rate bonds (Secured Floating Rate Bonds due 2015), with the nominal value of 50,000 Euros each, fully underwritten by Goldman Sachs International and repayable in full on May 15, 2015. This bond was registered in Interbolsa and pays interest semiannually at a rate of 1-month Euribor plus a spread of 5%, maturing the first provision for payment of interest on November 17, 2012.

(b) On September 26, 2012, by resolution at a General Meeting (Minutes No. 67) approved the extinction of bonds in the amount of 10,000,000 Euros issued on May 16, 2012 on issuing 200 bonds rate variable fully subscribed by Goldman Sachs International. Additionally, we also approved the issuance of new bonds in the amount of 25,000,000 Euros, to be issued on September 28, 2012, on issuing 250 bonds, variable rate (Secured Floating Rate due bonds 2015) with a nominal value of 100,000 Euros each, fully subscribed by the same entity and repayable in full on 31 January 2015. This loan bears interest at a monthly rate of 1-month Euribor plus average spread of 10%, beating up the first installment on 31 October 2012.

On December 31, 2012 the non-current bond presents the following term of reimbursement:

2014	13.800.000
2015	1.300.000
	15.100.000

16. LEASES

Operating leases:

On December 31, 2012 and August 31, 2012 the minimum payments associated with contracts for non-cancellable operating leases are as follows:

	31-12-2012	31-08-2012
Until 1 Year	188.264	372.469
Between 1 and 5 years	206.893	468.112
	206.893	468.112
	395.157	840.581

On October 2012, by resolution of the Board of Directors, the Company undertook a restructuring of its automobile fleet, through renegotiation and cancellation of renting contracts/ALD, in total 78 vehicles, with immediate effect. In this context, in December 31, 2012, minimum payments associated with the non-cancellable operating leases correspond to monthly leasing renting contracts/ALD of 54 vehicles passenger and light goods established in 2008 to 2012 exercises, for a period of 36 to 48 months.

On December 31, 2012 and August 2012 spending on operating leases was as follows:

	31-12-2012	31-08-2012
Payments on operating leases	263.973	798.315
	263.973	798.315

On December 31, 2012, the minimum payments of operating leases corresponds to spending monthly lease of 132 passenger cars and goods (until October 2012) and reconditioning costs and penalties during the process of renegotiation and cancellation of contracts renting / ALD.

17. EMPLOYEE BENEFITS

Employment termination benefits:

In the four month period ended December 31, 2012 and the year ended August 31, 2012 the Company recognized expenses of employment termination benefits amounting to 253,015 Euros and 1.609.142 Euros respectively.

18. SUPPLIERS

As of December 31, 2012 and August 31, 2012 the item ‘‘Suppliers’’ has the following breakdown:

	31-12-2012	31-08-2012
Suppliers—current account	28.007.572	27.462.183
	28.007.572	27.462.183

18. SUPPLIERS (Continued)

As of December 31, 2012 and August 31, 2012, the breakdown for the caption ''Suppliers, current accounts'' was:

	31-12-2012	31-08-2012
Sociedade Independente de Comunicação, S.A.	3.023.386	2.258.107
Sport TV Portugal S.A.	2.300.717	2.439.212
Tempo Team Servicos Lda.	2.084.221	2.034.829
EDP Distribuição—Energia, S.A.	1.974.122	87.332
FOX International Channels Espanã	1.415.069	1.454.667
Radio e Televisão de Portugal, S.A.	1.275.552	1.287.773
PT Comunicações, S.A.	999.810	1.109.081
Discovery Communications	986.856	1.780.905
Multicanal Iberia SLU	938.343	938.343
Carat Portugal—Comunicação, S.A.	726.541	503.206
TVI Televisao Independente, S.A.	708.707	419.115
SPTI Networks Iberia, SL	705.347	1.850.787
Eurosport, S.A.	638.554	1.184.202
FIC Portugal, Lda.	612.012	578.677
Others	9.618.335	9.535.947
	28.007.572	27.462.183

19. OTHER ACCOUNTS PAYABLE

On December 31, 2012 and August 31, 2012, these items are as follows:

	31-12-2012	31-08-2012
Fixed Assets Suppliers		
Suppliers current accounts	6.990.301	7.137.812
Suppliers—invoices in matching	670.302	573.879
Others—current		
Employees	128.955	34.112
Others creditors:		
Rivagere	9.397	9.397
Others	12.590	12.590
Accrued expenses:		
Vacation pay and Bonus	1.164.024	1.280.675
Programming Expenses	3.055.403	3.162.050
Maintenance contracts	811.758	589.229
Network construction & Installation	801.847	678.788
Interconnection	652.897	409.037
Intercompany (Note 28)	625.000	416.667
Author's rights	500.929	522.567
Commission Payable	439.501	523.009
Cinema and Audiovisual and Multimedia Institute(ICA)[(i)]	275.000	175.000
ANACOM—ICP	153.424	637.961
Rental (poles and conduits)	42.065	1.639.518
Interests	—	172.417
Other[(ii)]	1.056.708	603.230
	17.390.141	18.577.938

[(i)] On December 31, 2006, Company began the process of negotiating the implications of the Law nº . 42/2004 for the creation of a fund for cinema. On December 31, 2012, negotiations are still ongoing, and the Company recorded an additional expense in the amount of 275,000 Euros, which the Board considers appropriate and sufficient to meet this responsibility.

[(ii)] On 31 December 2012, the caption ''Other'' includes accrued expenses in the amounts of 417,406 Euros, 171,598 Euros, 101,000 Euros and 78,960 Euros to cover liabilities related to issue credits on disposal equipment and materials to suppliers ''service provider'' Fibnet S.A., and Aveicabo S.A., pre-retirement wages, electricity consumption and payments to former employees, respectively.

19. OTHER ACCOUNTS PAYABLE (Continued)

On December 31, 2012 and August 2012, the main suppliers were the following investment:

	31-12-2012	31-08-2012
Fibnet, S.A.	1.855.305	1.802.027
Sagecom SAS	1.570.243	538.940
Aveicabo, S.A.	1.466.992	1.199.884
Numericable THD	550.000	550.000
Compta, S.A.	496.053	—
Microsoft Ireland Operation Inc.	372.107	—
SatCab—Sat Lite Cabo TV	282.808	895.509
Totalstor, S.A.	262.236	262.236
Teleprinta, Lda.	172.274	171.725
Redtel, Lda.	135.117	185.040
Other	497.468	2.106.330
	7.660.603	7.711.691

20. DEFERRED LIABILITIES

On December 31, 2012 and August 2012, this caption is as follows:

	31-12-2012	31-08-2012
Revenues from clients to recognize:		
Invoicing—Cable TV	6.752	6.782
Invoicing—Internet	1.344	2.736
Invoicing—Telephone	175	166
Penalties[(i)]	985.177	579.860
	993.448	589.544

(i) The Company differed the penalties charged to customers, resulting from the breach of loyalty clauses, and only recognized as revenue on a cash basis, due to the low probability of receipt.

21. REVENUE

Revenue for the periods ended in December 31, 2012 and August 31, 2012 is as follows (Note 2):

	31-12-2012 (4 months)	31-08-2012 (12 months)
Sales		
Goods		
Net sales		
Telephone	30	16.370
Internet	1.083	145.805
	1.113	162.175
Services Rendered		
Cable Television Se	20.634.342	63.757.096
Telephone Services	8.981.547	25.870.126
Internet Services	8.932.571	27.474.551
Optical Fiber rent	286.239	969.520
	38.834.699	118.071.293
	38.835.812	118.233.468

On December 31, 2012 and August 31, 2012, the revenue recognized in the amount of 38.835.812 Euros and 118,233,468 Euros respectively, corresponds essentially to the services rendered by the company of electronic communications s in different regions in the national market where the Company operates.

22. SUPPLIES AND EXTERNAL SERVICES

In the periods ended December 31, 2012 and August 31, 2012, the balance of supply and external services is presented as follows:

	31-12-2012 (4 months)	31-08-2012 (12 months)
Specialized Work(i)	15.868.002	55.773.164
Rents and Rentals	4.384.505	13.431.642
Advertising	1.003.651	3.137.927
Maintenance and repairs(ii)	713.304	3.816.003
Electricity(iii)	617.468	1.691.479
Subcontracts	512.738	2.354.879
Communication	473.794	1.489.956
Fuels	78.249	473.493
Offices supllies	69.561	156.483
Travelling and accomodation expenses	47.529	189.494
Surveillance and security	40.385	183.133
Cleaning, hygiene and comfort	38.604	179.411
Insurance	34.765	199.647
Freight	15.983	433.924
Others	27.476	265.988
	23.926.014	83.776.623

(i) During the year ended December 31, 2012, the reduction in this caption is primarily related to the renegotiation of contracts with content providers (‘‘channels’’).

(ii) During the years ended December 31, 2012 and August 2012, there was a decrease in this caption which is primarily related to the renegotiation of contracts with subcontractors and other suppliers of computer systems maintenance.

22. SUPPLIES AND EXTERNAL SERVICES (Continued)

During the periods ended December 31, 2012 and August 31, 2012, the Company recorded ''management fees'', totaling 917,493 Euros and 3,737,066 Euros, respectively (Note 28).

23. WAGES AND SALARIES

In the periods ended December 31, 2012 and August 31, 2012, the balance of personnel expenses is presented as follows:

	31-12-2012 (4 months)	31-08-2012 (12 months)
Remuneration of board members	—	163.965
Remuneration of personel	2.148.962	9.391.118
Post-employment benefits[(i)]	9.506	32.958
Severance[(ii)]	253.015	1.609.142
Social Security	486.169	2.078.917
Insurance	46.527	54.191
Social spending	10.017	286.208
Other	17.347	43.801
	2.971.543	13.660.300

(i) On 31 December 2012 and 31 August 2012, the amounts recorded under this heading relate to expenses for payment of compensation to two former employees by way of pre-retirement.

(ii) During the year ended in 31 December, 2012, following the Company's restructuring plan started in the previous year, it was completed the process of termination of employment contracts with 12 employees (Note 17).

During the periods ended December 31, 2012 and August 31, 2012, the average number of employees amounted to 260 and 331 employees, respectively.

24. OTHER INCOME AND GAINS

In the periods ended December 31, 2012 and August 31, 2012, other income and gains were as follows (Note 2):

	31-12-2012 (4 months)	31-08-2012 (12 months)
Supplementary revenue		
Other supplementary revenue	55.452	382.071
Recovery of receivables	48.199	313.279
Gains in inventories (Note 6)		
Revenues and gains in Financial assets		
Foreign Exchange gains	91.738	27.031
Revenues and gains in non-financial investments		
Disposals	—	1.656.682
Other		
Adjustment from Prior Year		2.792
Other revenues and gains		39.055
	195.389	2.420.910

25. OTHER EXPENSES AND LOSSES

In the periods ended December 31, 2012 and August 31, 2012, other expenses and losses were as follows (Note 2):

	31-12-2012 (4 months)	31-08-2012 (12 months)
Taxes[i]	2.014.436	3.207.152
Cash discounts granted	—	—
Write-off's	984.577	3.392.063
Losses on inventories (Note 6)	61.000	30.458
Expenses and losses on financial assets:		
Foreign exchange losses	—	95.637
Expenses and losses on non-financial investments:		
Sales of fixed assets	414.650	1.613.039
Claims	2.710	—
Disposals	131.027	360.105
Other expenses and losses:		
Adjustments relating to prior periods	—	13.958
Donations	—	1.400
Contributions	22.461	77.235
Insufficiency of estimated taxes	—	84.303
Losses on financial instruments	—	—
Fines and penalties	26.212	2.342
Others	2.618	7.704
	3.659.691	8.885.396

(i) During the periods ended December 31, 2012 and 31 August 2012, the caption ''Taxes'' relates primarily with stamp tax by issuing bonds, to expenses paid annually to Anacom and copyrights paid to the Company as SPA, RTP Company independent Communication, SA and TVI, Audiogest, GEDIPE and GDA.

(i) On December 31, 2012, the disposals in caption ''Expenses and losses on non-financial investments'', result from credit notes issued regarding materials price discount and disposed equipment's to suppliers ''service provider'' Fibnet, S.A. and Aveicabo, S.A.

26. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

In the periods ended December 31, 2012 and August 31, 2012, expenses and reversals of depreciation and amortization were as follows (Note 2):

	31-12-2012 (4 months)	31-08-2012 (12 months)
Tangible fixed assets (Note 6)	11.642.092	33.278.179
	11.642.092	33.278.179

In the periods ended December 31, 2012 and August 31, 2012, losses and reversals of impairment assets depreciable / amortizable were as follows (Note 2):

	31-12-2012 (4 months)	31-08-2012 (12 months)
Tangible fixed assets (Note 6)	7.192	635.719
	7.192	635.719

27. INTEREST INCOME AND EXPENSE AND SIMILAR OBTAINED AND SUPPORTED

In the periods ended December 31, 2012 and August 31, 2012, interest and similar income and expenses incurred and obtained were as follows (Note 2):

	31-12-2012 (4 months)	31-08-2012 (12 months)
Interest and similar income obtained:		
Interest Obtained	51.566	72.207
	51.566	72.207
Interest and other similar expenses:		
Interest expenses	679.940	205.067
	679.940	205.067

28. RELATED PARTIES

The Company's capital is wholly owned by Altice Portugal, SA and, consequently, operations and transactions of the Company are influenced by the decisions of the Altice Group to which it belongs.

Balance between parties

On December 31, 2012 and August 31, 2012 related-party balances are as follows:

December 31 2012:

	Other accounts Payable (Note 19)
Group companies	
Altice VII	625.000
	625.000

August 31, 2012:

	Other accounts Payable (Note 19)
Group companies	
Altice VII	416.667
	416.667

28. RELATED PARTIES (Continued)

Transactions between parties:

The related party transactions for the periods ended December 31, 2012 and August 2012 are as follows (Note 2):

December 31 2012 (4 months):

	Supplies and Services (Note 22)
Group Companies	
Altice VII	917.493
	917.493

August 31 2012 (12 months):

	Supplies and Services (Note 22)
Group Companies	
Altice VII	3.272.431
Ex-shareholder	
Cogeco Cable Inc.	464.635
	3.737.066

29. SUBSEQUENT EVENTS POST-CLOSING

No subsequent event is known to date, with significant impact on the financial statements at December 31, 2012.

After the year end, and to this report, there were no other circumstances likely to affect the situation disclosed in the accounts for the purposes of subparagraph b) of paragraph 5, of article 66, of the Commercial Companies Code.

30. EARNINGS PER SHARE

During the years ended December 31, 2012 and August 2012, the basic earnings per share were as follows:

	31-12-2012 (4 months)	31-08-2012 (12 months)
Net Loss for the year	(3.178.194)	(17.883.721)
Weighted average number of shares in circulation	2.500.020	2.500.020
Basic Loss per share (in euros)	(1,27)	(7,15)

During the years ended December 31, 2012 and August 2012, because there are no situations that create dilution, the diluted earnings per share are equal to basic earnings per share.

31. DISCLOSURES REQUIRED BY LEGISLATION

Fees invoiced by the Statutory Auditors

The total fees charged or to be charged by the Statutory Auditors for the periods ended December 31, 2012 and August 2012 relating to the annual statutory audit amounted to 38,000 Euros and 63,000 Euros respectively.

32. ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS AND NOTES

These financial statements, format and disclosures are a translation of financial statements originally issued in Portuguese in accordance with SNC (‘‘Sistema de Normalização Contabilística’’), some of which may not conform to or be required by Generally Accepted Accounting Principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

THE BOARD OF DIRECTORS *THE CHARTERED ACCOUNTANT*

CABOVISÃO—TELEVISÃO POR CABO, S.A.

AUGUST 31, 2012 FINANCIAL STATEMENTS

BAKER TILLY
PORTUGAL

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STATUTORY AUDIT REPORT

(Translation of a report originally issued in Portuguese)

(Amounts expressed in Euros)

Introduction

1. We have audited the financial statements of Cabovisão—Televisão por Cabo, S.A. (''the Company'') that includes a balance sheet as of 31 August 2012, that show total assets of 166,552,516 Euros and total equity of 101,769,492 Euros including a loss for the year of 17,883,721 Euros, the statements of income by nature, of the variations in equity and of cash flows for the year then ended and the corresponding attached notes.

Responsibilities

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations, the variations in equity and the cash flows, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to express an opinion on those financial statements based on our audit.

Scope

3. We conducted our audit in accordance with the Technical Rules and Directives of Reviews and Audits issued by the Portuguese Body of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures, on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements and the evaluation of the estimates made by the Board of Directors, used in its preparation. The audit also included the assessment as to the appropriateness of the accounting policies and accounting estimates used and disclosures made by the Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the financial statements referred in paragraph 1, give a true and fair view in all material respects, of the financial position of Cabovisão—Televisão por Cabo, S.A. as of 31 August 2012, and the results of its operations, the variations in equity and cash flows for the year then ended, in accordance with the Portuguese generally accepted accounting principles.

Emphasis

5. In May 2011, the Company recorded an impairment loss of its principal tangible fixed assets, related with the network, amounting to, approximately, 141,664,000 Euros and stopped to record the depreciation related to the last three months of the year ended 31 August 2011 (that would amount to, approximately, 8,853,000 Euros). During the year ended 31 August 2012, following a change in the ownership of the Company's share-capital, the impairment referred to above was reviewed. Taking into consideration that the Company considered that there was not sufficient rational for the impairment recorded in prior year, it was totally reversed and recorded the depreciation for the

three months referred to above, directly in returning earnings, by the total net amount of, approximately, 132,991,000 Euros (Note 6).

6. As of 31 August 2012, the financial statements evidence accumulated losses amounting to 382,071,000 Euros, in part as a result of the significant depreciations related with the network. Although as of that date, current assets are lower than current liabilities, the Company supported in its treasury plan for the next twelve months, considers that has capacity to face its responsibilities. In addition, by the mid of the year then ended, a new shareholder assumed the full control of the Company's share-capital, and started the implementation of various actions of operational, commercial and financial nature, that already had a positive impact in the Company's economic and financial position as of 31 August 2012, being its understanding that this positive impact will continue in the future.

7. The Company´s financial statements as of 31 August 2011, presented for comparative purposes, were audited by another statutory auditor, whose statutory audit report dated 7 October 2011, included two emphasis paragraphs related with the matters referred to in paragraphs 5 and 6. Our review of those financial statements had the sole purpose of issuing an opinion on the financial statements as of 31 August 2012 and, accordingly, we do not express an opinion on those financial statements.

Reporting on other legal requirements

8. It is also our opinion that the financial information included in the Board of Directors Report is consistent with the information included in the financial statements.

Lisbon, 5 October 2012

BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.
Represented by Paulo Jorge Duarte Gil Galvão André

CABOVISÃO—TELEVISÃO POR CABO, S.A.

BALANCE SHEEET AS OF AUGUST 31, 2012 AND 2011

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	31-08-2012	31-08-2011
Assets			
Income before financial results, taxes and depreciation			
Tangible fixed assets	6	137.136.685	25.138.661
Clients	8	1.117.640	
Total non-current assets		138.254.325	25.138.661
Current Assets:			
Clients	8	4.569.563	4.987.860
State and other public entities	9	210.000	70.000
Other accounts receivables	10	1.696.050	1.520.721
Deferrals	11	665.222	1.206.021
Cash and bank deposits	4	21.157.356	8.068.164
Total current assets		28.298.191	15.852.766
Total assets		166.552.516	40.991.427

	Notes	31-08-2012	31-08-2011
Shareholder´s equity and Liabilities			
Shareholder's equity			
Share capital			
Capital	12	5.000.040	30.000.240
Other equity instruments	12	478.840.143	496.840.143
Retained earnings	12	(364.186.970)	(363.825.813)
		119.653.213	163.014.570
Net loss		(17.883.721)	(158.352.017)
Total shareholder's equity		101.769.492	4.662.553
Liabilities			
Non-current liabilities:			
Provisions	13	5.008.483	5.245.242
Loans obtained	15	10.000.000	—
Total non current liabilities		15.008.483	5.245.242
Current liabilities			
Suppliers	18	27.462.183	8.307.252
State and other public entities	9	3.144.876	2.223.503
Other accounts payable	19	18.577.938	19.883.403
Deferrals	20	589.544	669.474
Total current liabilities		49.774.541	31.083.632
Total liabilities		64.783.024	36.328.874
Total liabilities and shareholder's equity		166.552.516	40.991.427

The accompaning notes are integral part of the balance sheet as of August 31, 2012.

The Chartered Accountant *The Board of Directors*

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF PROFIT AND LOSS BY NATURE

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	31-08-2012	31-08-2011
REVENUES AND LOSSES			
Sales and services rendered	21	118.233.468	125.451.269
Own work capitalized	6	2.498.722	774.815
Costs of goods sold and materials consumed	6	(1.086.654)	(1.601.958)
Supplies and external services	22	(83.776.623)	(90.341.958)
Wages and salaries	23	(13.660.300)	(13.254.569)
Impairment of receivable ((loss) / reversals)	8	442.147	(29.772)
Provisions ((increase) decrease)	13	190.234	500
Others income and gains	24	2.420.910	512.464
Other expenses and loss	25	(8.885.396)	(5.665.008)
Income before financial results, taxes and depreciation		16.376.508	15.845.783
Depreciation and amortization expenses	26	(33.278.179)	(26.932.954)
Impairment of assets	26	(635.719)	(141.663.812)
Operational losses (before financial results and taxes)		(17.537.390)	(152.750.983)
Interests and similar revenues		72.207	104.806
Interests and similar losses	27	(205.067)	(5.580.508)
Income before taxes		(17.670.250)	(158.226.685)
Income taxes of the year	7	(213.471)	(125.332)
Net loss of the year		(17.883.721)	(158.352.017)
Basic Eaning per Share	30	(7,15)	(63,34)

The accompaning notes are integral part of the statment of profit and loss by nature for the year ending August 31, 2012.

The Chartered Accountant *The Board of Directors*

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011
(Amounts in Euros)
(Translation of a document originally issued in Portuguese—Note 32)

	Notes	31-08-2012	31-08-2011
OPERATIONAL ACTIVITIES			
Receivable from clients		137.437.650	146.853.807
Payments to supliers		(70.826.348)	(92.300.993)
Payments of salaries		(9.087.466)	(7.403.856)
Flows of operations		57.523.836	47.148.958
Payment of income taxes			
Other payments		(16.565.980)	(14.965.394)
Flows of operational activities [1]		40.957.856	32.183.564
Income before financial results, taxes and depreciation			
Payments			
Tangible fixed assets		(19.393.374)	(40.553.504)
Others assets		(19.393.374)	(40.553.504)
Receivables			
Interests and similar revenues		57.360	83.072
		57.360	83.072
Flows of investment Activities [2]		(19.336.014)	(40.470.432)
FINANCIING ACTIVITIES			
Receivables			
Loans obtained		10.000.000	
		10.000.000	—
Payments			
Interests and similar costs		(532.650)	(106.909)
Redution of capaital and other equity instruments		(18.000.000)	
		(18.532.650)	(106.909)
Flows of financing activities		(8.532.650)	(106.909)
Change in cash and cash equivalents [4] = [1] + [2] + [3]		13.089.192	(8.393.777)
Effect of foreign exchange differences		—	—
Cash and cash equivalents at the beginning of the year	4	8.068.164	16.461.941
Cash and cash equivalents at the end of the year	4	21.157.356	8.068.164

The accompaning notes are integral part of statments of cash flows for the year ended August 31, 2012.

The Chartered Accountant *The Board of Directors*

CABOVISÃO—TELEVISÃO POR CABO, S.A.

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Euros)

(Translation of a document originally issued in Portuguese—Note 32)

	Notes	Capital	Other equity instruments	Retained earnings	Net loss of the year	Total
Balance in September 1, 2010		30.000.240	312.940.143	(361.973.155)	(21.314.387)	(40.347.159)
Application of results		—	—	(21.314.387)	21.314.387	—
					—	—
Net result of the year					(158.352.017)	(158.352.017)
Changes in the period with sharoholders in period:						—
Cover of losses		—	—	19.461.729		19.461.729
Others operations		—	183.900.000			183.900.000
			183.900.000	19.461.729	—	203.361.729
Balance in August 31, 2011		30.000.240	496.840.143	(363.825.813)	(158.352.017)	4.662.553
Balance in September 1, 2011		—	—	(158.352.017)	158.352.017	—
Application of results		—	—	—		—
Income before financial results, taxes and depreciation						—
others changes in shareholder´s equity	5.1 and 6			132.990.660		132.990.660
				(25.361.357)	158.352.017	132.990.660
Net result of the year					(17.883.721)	(17.883.721)
Changes in the period with sharoholders in period:						
Reduction of capital	12	(25.000.200)	—	25.000.200		—
Others operations	12	—	(18.000.000)			(18.000.000)
		(25.000.200)	(18.000.000)	25.000.200	(17.883.721)	(35.883.721)
Balance in August 31, 2012		5.000.040	478.840.143	(364.186.970)	(17.883.721)	101.769.492

The accompaning notes are integral part of the changes in equity for the year ending August 31, 2012.

The Chartered Accountant *The Board of Directors*

1. INTRODUCTORY NOTE

Cabovisão—Televisão por Cabo, S.A. (the ''Company'' or ''Cabovisão'') which was incorporated on January 26, 1993, has its the headquarter located in Palmela, Portugal, and its core business is the supply of cable television, high speed internet, digital television and telephony services throughout several regions of Portugal.

The Company is included in the Altice Group, being 100% owned by Altice Portugal, S.A., headquartered in Lisbon, which performs a set of transactions for the development of its operations (Notes 12 and 28), so its activity and results are influenced by decisions taken by the Altice Group.

Company's activities are subject to Law nº. 5/2004 (The electronic communications law). This Law establishes the rules applicable to electronic communications networks and related services. ANACOM is responsible for the application of the Law and for making the necessary changes to records, licenses and authorizations issued under previous legislations. Under this framework, the Company has obtained licenses from ANACOM to provide cable television services for public use in 233 municipalities in Portugal as well as the licenses to public telecommunications networks and fixed telephony services. The Law does not establish expiring terms for these licenses, nor does it require assets to be reversible, as was required under previous legislation. The Company is also licensed by ANACOM to provide telephony and internet data transmission services.

The financial statements were authorized for issuance on 05th October 2012, by the Board of Directors and will be subject to approval by the General Assembly in accordance with company law in force in Portugal.

2. REFERENCE ACCOUNTING SYSTEM USED IN THE PREPARATION OF FINANCIAL STATEMENT

The accompanying financial statements have been prepared in compliance with the provisions in force in Portugal for the years starting January 1, 2010, in accordance with Decree-Law 158/2009 of July 13, 2009, and the conceptual structure, accounting and financial reporting standards (''Normas Contabilísticas e de Relato Financeiro'' ''NCRF'') and related interpretation standards (''IS''), respectively; and Notices 15652/2009, 15655/2009 and 15653/2009 of August 27, 2009, which together constitute the Portuguese Accounting Standards System (''Sistema de Normalização Contabilística'' or ''SNC''). These standards and interpretations are hereinafter referred to as ''NCRF''.

3. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the financial statements are the following:

3.1. Basis of presentation

The financial statements were prepared on a going concern basis, as from the Company's accounting records, in accordance with the principles defined in the Accounting Standards System (Sistema de Normalização Contabilística—SNC'') that are in force at the date of these financial statements presentation.

3.2. Tangible fixed assets

Tangible fixed assets are stated at acquisition cost, less accumulated depreciation and impairment losses. The acquisition cost includes the cost of purchase, and any incurred costs directly attributable to activities necessary to put the assets in the location and the conditions necessary for the intended use. When applicable, the initial estimated costs of dismantling and removing the assets and the restoration cost related to installation of cable television services, data transmission and telephone to customers are recorded as tangible fixed assets under the caption of ''Basic Equipment''.

3. MAIN ACCOUNTING POLICIES (Continued)

Costs associated with cable television installation, internet and telephone services to customers are recorded in tangible fixed assets under the caption of ''Basic Equipment''.

Depreciation is calculated using a straight-line basis from the month the assets are available for use, during the expected useful life for each class.

The useful lives and depreciation method of the assets are reviewed annually. The effect of any changes in estimate is recognized prospectively in the income statement.

Tangible fixed assets are depreciated according to the straight-line basis over the following estimated useful lives:

	Years
Buildings and other constructions	5 to 20
Basic equipment	4 to 20
Transport Equipment	4
Administrative Equipment	3 to 8
Other tangible fixed assets	5 to 8

Gains (or losses) from disposal or write-off of a tangible fixed asset are determined as the difference between the net proceeds and the carrying amount of the assets and are recognized in the income statement when occurred in caption of ''others income or gains or expenses and losses''.

3.3. Leases

Leases are classified as financial whenever risks and rewards associated with the ownership or fruition of the assets are substantially transferred to the lessee. The other leases are classified as operational leases. Classification of finance and operational leases is made based on the contract's substance and not on its form.

Assets acquired under finance leases, and the corresponding liabilities are recorded at the beginning of the lease at the lower of either the fair value of the assets or the net present value of minimum lease payments. Payments of finance leases are divided into interests and reduction of liability in order to obtain a constant interest rate on the outstanding balance of the liability.

The operating lease payments are recognized as expense on a straight line basis over the lease period. The incentives received are recorded as a liability, being the aggregate amount of the same, and recognized as a reduction in leases' expenses, also on a straight line basis.

Contingent rents are recognized as expenses in the period in which they are incurred.

3.4. Impairment of tangible assets

Whenever there is some indication that the tangible fixed assets of the Company may be impaired, an estimate of its recoverable value is made as to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash—generating unit to which the asset belongs.

The recoverable amount of the asset or cash-generating unit is the higher of (i) the fair value less costs to sell and (ii) the value in use. In determining the amount of use, the estimated future cash flows are discounted using a discount rate that reflects market expectations for the time value of money and the risks specific to the asset or cash-generating unit for which the estimates of future cash flows have not been adjusted. An impairment loss is recognized when the net value of the asset or cash-generating unit exceeds its recoverable amount. The impairment loss is recorded immediately in the income statement,

3. MAIN ACCOUNTING POLICIES (Continued)

unless such loss offsets a revaluation surplus recorded in equity. In this case, such loss is treated as a decrease of such revaluation.

The reversal an impairment loss recognized in prior years is accounted only when there are certainties that the impairment loss is no longer applicable or has been decreased. The reversal of impairment loss is recognized in the income statement, in the caption ''Impairment losses reversal'' The reversal of the impairment loss is made up to the amount that would be recognized (net of depreciation) if the loss had not been recorded.

3.5. Income tax

The income tax is recorded in accordance with the criteria of IAS 25—''Income Taxes''. In measuring the relative cost to the tax on income for the year, in addition to the current tax, calculated based on income before tax, adjusted by the tax laws applicable, are also considered the effects of temporary differences between income before taxes and taxable income arising of the results from prior years, as well the effect of tax losses carried forward at balance date.

As per the IAS criteria are recognized deferred tax assets only when there is reasonable assurance that these may be used to reduce future taxable income, or when there are deferred tax liabilities whose reversal is expected in the same period in which the tax deferred tax assets are reversed. At the end of each financial year the Company reviews the deferred tax assets, which are reduced when longer probable future use.

The compensation between assets and liabilities of deferred taxes is allowed only in the following situations: (i) The Company has the legal right of compensate assets with liabilities for liquidation purposes; (ii) assets and liabilities are related with income tax charged by the same Tax Authority and; (iii) the Company intends to compensate assets and liabilities.

3.6. Inventories

Inventories are valued at cost or net realizable value, whichever is lower, using the average cost method as costing.

3.7. Financial assets and liabilities

Financial assets and liabilities are recognized when it becomes part of a contractual relationship, using NCRF 27—Financial Instruments.

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes part to the contractual provisions corresponding.

Financial assets and financial liabilities are measured at cost or amortized cost.

Financial assets and financial liabilities are measured at cost or amortized cost less any accumulated impairment losses (in the case of financial assets) when:

- Whether the spot or have a maturity defined, and
- Have an associated return fixed or determinable, and
- Not whether or not incorporating a derivative financial instrument.

Amortized cost is the value by which a financial asset or financial liability is measured at initial recognition, less capital repayments, plus or minus the cumulative amortization, using the effective interest rate, any difference between that amount in maturity. The effective interest rate is the rate that

3. MAIN ACCOUNTING POLICIES (Continued)

exactly discounts estimated future cash payments or receipts in the net book value of the financial asset or liability.

The financial assets and financial liabilities at cost or amortized cost include:

a) *Accounts receivables and other*

Accounts receivable and other receivables are recorded at amortized cost less any impairment losses. Usually, the amortized cost of financial assets does not differ from its nominal value.

b) *Cash and cash equivalents*

Cash and cash equivalents includes cash and overnight deposits, and that can be mobilized immediately with insignificant risk of changes in value.

c) *Accounts payable and other;*

The balances of suppliers and other payables are booked at amortized cost. Usually, the amortized cost of these liabilities does not differ from its nominal value.

d) *Financing obtained.*

The financing obtained are recorded as liabilities at amortized cost.

They are still classified as ‘‘at cost or amortized cost’’, being measured at cost less accumulated impairment losses, the contracts to grant or loans that cannot be settled on a net basis and, when executed, fulfill the conditions described above .

Amortized cost is determined using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net book value of the financial asset or liability.

Impairment of financial assets

Financial assets classified in the category ‘‘at cost or amortized cost’’ are tested for impairment at each reporting date. Such financial assets are impaired when there is objective evidence that, as a result of one or more events after the initial recognition, their estimated future cash flows are negatively affected.

For financial assets measured at amortized cost, the impairment loss recognized corresponds to the difference between the net present value of the estimated future cash flows of the assets and the carrying amount at the respective original effective interest rate.

For financial assets measured at cost, the impairment loss recognized corresponds to the difference between the assets' carrying amount and the best estimate of fair value of the asset.

Impairment losses are recognized in income statement under ‘‘Impairment losses’’ in the period in which are determined.

Subsequently, if the amount of the impairment loss decreases, and this decrease can be related objectively to an event that took place after the recognition of loss, this must be reversed in the income statement. The reversal shall be effected within the limits of the amount that would be recognized (amortized cost) if the loss had not been initially recorded. Reversal of impairment losses are recognized in the caption ‘‘Reversal of impairment losses.’’

Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows expire, or when the financial assets and the risks and rewards of its ownership are transferred to another entity. The

3. MAIN ACCOUNTING POLICIES (Continued)

Company derecognizes the financial assets transferred, when the transfer of control effectively takes place for the same risk and significant retained rewards.

The Company derecognizes liabilities only when the corresponding obligation is settled, canceled or expires.

3.8. Provisions, contingent liabilities and assets

Provisions

Provisions are recognized when, the Company has a present obligation (legal or implicit) resulting from a past event under which it is probable that it will have an outflow of resources to resolve the obligation, and the amount of the obligation can be reasonably estimated.

The established provision is the management´s best estimate of the net present value, at each balance sheet date, of the obligation and the estimate is determined considering risks and uncertainties related with said obligation.

At each balance sheet date, provisions are reviewed and adjusted to reflect the management´s best estimate at that date.

A provision for restructuring is recognized when the Company develops a detailed formal restructuring plan and begins to implement it or announces its main components to its stakeholders. In measuring the provision for restructuring only those expenditures that derive directly from the corresponding implementation plan are considered and therefore not those related to the ongoing activities of the Company.

Contingent Liabilities

Contingent liabilities are not recognized in financial statements, but are disclosed if the possibility of an outflow of resources covering economic benefits is not remote.

Contingent Assets

Contingent assets are not recognized in the financial statements, but are disclosed when it is probable that a future economic inflow will occur.

3.9. Transactions and balances in foreign currency

Foreign currency is recorded at exchange rates at the date of transactions. At each reporting date the monetary items denominated in foreign currency are updated at the exchange rate of that date. Non-monetary items carried at fair value denominated in foreign currency are updated at the exchange rate of the respective date on which fair value was determined.

Exchange rate differences resulting from the above updates are recorded in the income statement for the period in which they are generated.

As of August 31, 2012 and 2011 the assets and liabilities expressed in foreign currency were converted to Euro at the following currency:

Coin	31-08-2012	31-08-2011
American Dollar (USD)	1,261	1,445
Canadian Dollar (CAD)	1,249	—
Swiss Francs (CHF)	1,201	—
Ground Pounds (GBP)	0,795	—

3. MAIN ACCOUNTING POLICIES (Continued)

3.10. Revenue

Revenue is measured at the fair value of received or receivable installment. Revenue recognition is deducted from the estimated amount of returns, discounts and other rebates. Revenue is recognized net of taxes related to the sale.

Revenue from the sale of goods is recognized when all the following conditions are met:

- All risks and rewards associated with ownership of the assets were transferred to the buyer;
- The Company does not maintain any control over the goods sold;
- The amount of revenue can be reliably measured;
- It is probable that future economic benefits associated with the transaction will flow to the Company;
- The costs incurred or to be incurred for the transaction are measured reliably.

The Company recognizes sales of phones, modems and installation of additional outlets when products are delivered or installation is completed.

Revenue from services rendered is recognized by reference to the stage of completion of transaction / service at the reporting date, provided all the following conditions are met:

- The amount of revenue can be reliably measured;
- It is probable that future economic benefits associated with the transaction will flow to the Company;
- Costs incurred or to be incurred with the transaction can be measured reliably.

Revenue from cable television service, internet service, phone service and interconnection are recognized when services are rendered. Promotional offers are accounted for as a deduction of revenue at the time that the costumer is entitled to use such offers.

Since there are no certainties of receiving invoiced penalties these are accounted as deferred revenue, and are recognized as revenue on a cash basis.

It is the Company's policy to disconnect a customer after a certain period (usually 4 months) of providing services without receiving payment.

Interest revenue is recognized using the effective interest method, provided it is probable that economic benefits will flow to the Company and the amount can be reliably measured.

3.11 Accrual

The income and expenses are recorded according to the accrual basis for which is recognized as it accrues, regardless of when they are received or paid. The differences between the amounts invoiced to customers or invoiced by suppliers and the amounts of income and expense recognized in the income statement are recorded as assets or liabilities.

3. MAIN ACCOUNTING POLICIES (Continued)

3.12. Borrowing costs

Financial costs related to borrowings are generally recognized as expenses when incurred.

3.13. Subsequents events

Events that occur after the balance sheet date that provide additional information on conditions that existed as balance sheet date are reflected in the financial statements. Events that occur after the balance sheet date that provides information on conditions that exist after the balance sheet date, if material, are disclosed in the financial statements.

3.14. Value judgments (except those involving estimations) that the board of management made in the process of applying the accounting policies and that have greater impact on the amounts recognized in the financial statements

In the preparation of the financial statements judgments, estimates and assumptions that can affect the value of assets and liabilities as well as of their income and cost were made.

Estimates used are based on the best information available during the preparation of the financial statements, although future events neither controlled nor foreseeable by the Company could occur and have an impact on those estimates. Changes to estimates used by management that occur after the date of the financial statements are recognized in income statement, using a prospective methodology. Consequently and considering the uncertainly level related, the real result of the transactions can be different from the assumptions performed.

To measure the fair value of assets and consequent impairment, the Company obtained independent valuations for each of the periods.

The main value judgments and estimates made in the preparation of the financial statements were as follows:

- *Expected life of fixed assets;*
- *Impairment of inventories:*

The Company believes that calculate the adjustment to the depreciation of the assets in accordance with the life thereof, from the beginning of its use.

- *Provisions of receivables*:

The provisions of receivables are based on the aging of accounts receivable, 50% of the balance of active customers between 90 and 120 days old, 100% of active customers with balances over 120 days overdue, and all balances owed from disconnected subscription accounts are included in the calculation of the provision. In assessing the provision amount, the Company evaluates the likelihood of recovering value added taxes (''VAT'') collected by the state and applies for its refund as provided for in article 78 of the VAT.

4. CASH AND CASH EQUIVALENTS

4.1 Cash and cash equivalents not available for use

On August 31, 2012, the balance of demand deposits and time deposits includes deposits of collateral pledged as security for suspension of tax enforcement proceedings with Direção Geral de Contribuições e Impostos (DGCI) and the Municipality of Almada in the amounts of 8,464,479 Euros and 876,027 Euros respectively.

4. CASH AND CASH EQUIVALENTS (Continued)

4.2. Cash and Equivalents

Cash and cash equivalents as of August 31, 2012 and August 31, 2011 were as follows:

	31-08-2012	31-08-2011
Cash	14.670	12.839
Bank Deposits mobilized immediately	11.802.180	5.055.325
Other deposits[(i)]	9.340.506	3.000.000
	21.157.356	8.068.164

(i) The deposits bear interest at current market rates. This value of 9,340,506 Euros that are given as collateral (Note 4.1)

The cash and cash equivalents includes cash, demand deposits and term deposits with maturity less than three months, and for which the risk of change in value is insignificant.

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

During the years ended August 31, 2012 and 2011, there were no changes in accounting policies nor were any material errors identified that should be corrected.

5.1. Material errors related with prior period:

In the year ended August 31, 2011, the Company recorded an impairment loss regarding to key plant and equipment related to ‘‘network’’ in the amount of 141,663,813 Euros. During the year ended August 31, 2012, the Company performed an impairment review of the amount recorded in the previous year (responsibility of the respective previous shareholders and Board of Directors), and it was concluded that there were no valid rational to support it, so the Company reversed all that the recorded impairment (as well as the amortization recorded for the months of June to August 2012, which had not been recorded that year, amounting to 8,852,841 Euros). Because the understanding is that this situation is framed in which is defined in NFRS 4, this reversal and amortization unregistered ones, were recorded directly in retained earnings in the amount of 132,990,660 Euros total net (Note 6) which had the following impact:

	Impact: Débit / (Crédit)	
Description of relevant adjustments	Asset	Rentained earnings
Reversal of the impairment of the network	141.843.501	(141.843.501)
Depreciation acumulated not booked	(8.852.841)	8.852.841
	132.990.660	(132.990.660)

6. TANGIBLE FIXED ASSETS

During the years ended August 31, 2012 and 2011, the movement of fixed assets, as well as the accumulated depreciation and accumulated impairment losses were as follows:

As of August 31, 2012:

	Land and other natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other fixed tangible assets	Fixed tangible assets in progress	Total
Gross Assets:								
Balance at August 31, 2011	275.960	6.097.894	452.225.063	21.199	20.124.982	490.286	10.102.058	489.337.442
acquisitions	—	4.029	9.927.394	3.675	554.871	—	5.541.066	16.031.035
Disposals	—	—	(6.277.933)	—	(143.990)	—	(155.859)	(6.577.782)
transfers	—	—	4.628.917	—	1.249.849	637	(5.879.403)	—
adjustments	—	—	(3.900)	—	357	—	(2.287.608)	(2.291.151)
Balance at August 31, 2012	275.960	6.101.923	460.499.541	24.874	21.786.069	490.923	7.320.254	496.499.544
Accumulated depreciation and impairment losses:								
Balance at August 31, 2011	—	(5.558.608)	(438.173.966)	(21.199)	(19.737.898)	(421.571)	—	(463.913.242)
Reinforcements (Note 26):								
Depreciation for the year	—	(351.497)	(32.018.025)	(76)	(868.107)	(40.474)	—	(33.278.179)
Impairment losses for the year	—	—	—	—	—	—	(687.767)	(687.767)
Disposals	—	—	5.614.815	—	143.990	—	—	5.758.805
adjustments:								
Depreciation for the year (Note 5.1)	—	(102.047)	(8.499.248)	—	(240.303)	(11.243)	—	(8.852.841)
Reverse of Impairment losses	—	1.934.482	138.076.397	—	1.519.511	79.975	—	141.610.365
Balance at August 31, 2012	—	(4.077.670)	(335.000.027)	(21.275)	(19.182.807)	(393.313)	(687.767)	(359.362.859)
Net book value at August 31, 2012	275.960	2.024.253	125.499.514	3.599	2.603.262	97.610	6.632.487	137.136.685

During the year ended August 31, 2012, the Company continued its policy of growth and expansion of its portfolio of clients and services, and the increase in the caption of basic equipment is due to investments in telecommunications service, customer home equipment and installation cost of new subscribers.

The year ended August 31, 2012, the Company reversed the caption of tangible network, and impairment that had registered for the year ended August 2011, amounting to Euro 141,610,345 (Note 5.1).

As of August 31, 2011:

	Land and other natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Other fixed tangible assets	Fixed tangible assets in progress	Total
Gross Assets:								
Balance at August 1, 2011	275.960	5.919.302	432.039.278	21.199	19.293.836	380.874	11.904.918	469.835.367
acquisitions	—	178.592	16.836.717	—	513.943	28.344	8.672.327	26.229.923
Disposals	—	—	(4.470.655)	—	(52.482)	(5.355)	(531.319)	(5.059.811)
transfers	—	—	7.819.723	—	369.685	86.423	(8.275.831)	—
adjustments	—	—	—	—	—	—	(1.668.037)	(1.668.037)
Balance at August 31, 2012	275.960	6.097.894	452.225.063	21.199	20.124.982	490.286	10.102.058	489.337.442
Accumulated depreciation and impairment losses:								
Balance at August 31, 2011	—	(3.314.925)	(279.430.647)	(21.199)	(17.410.806)	(321.603)	—	(300.499.180)
Reinforcements (Note 26):								
Depreciation for the year	—	(309.201)	(25.740.185)	—	(858.220)	(25.348)	—	(26.932.954)
Impairment losses for the year	(234.566)	(1.934.482)	(137.843.507)	—	(1.520.231)	(79.975)	(50.979)	(141.663.740)
Disposals	—	—	4.840.373	—	51.365	5.355	—	4.897.093
Balance at August 31, 2012	(234.566)	(5.558.608)	(438.173.966)	(21.199)	(19.737.892)	(421.571)	(50.979)	(464.198.781)
Net book value at August 31, 2012	41.394	539.286	14.051.097	—	387.090	68.715	10.051.079	25.138.661

Capitalized Costs:

During the years ended August 31, 2012 and 2011, the Company proceeded to the capitalization of internal costs related to network construction, amounting to 2,498,722 Euros and 774,815 Euros respectively through the rubric of ‘‘Work for the Company.’’

6. TANGIBLE FIXED ASSETS (Continued)

As of August 31, 2012 and 2011, the detail of the caption ''Construction in progress'' is as follows:

	31-08-2012	31-08-2011
Gross Value:		
Inventory	2.830.888	4.799.570
Materials and Labour	3.303.178	3.250.804
Software in installation	578.788	1.441.306
Digital decoders	553.821	553.821
Buildings	53.579	56.557
	7.320.254	10.102.058

The cost of goods sold in fiscal years 2012 and 2011, was as follows:

August 31 2012

	Goods
Initial inventory	4.799.570
Purchases	8.381.768
Sales and write-off´s	(155.858)
Regularizations[i]	(1.199.966)
Transfers to fixed assets	(7.907.972)
Final Balance	(2.830.888)
	1.086.654

August 31 2011

	Goods
Initial inventory	6.581.062
Purchases	16.910.258
Sales and write-off´s	(531.319)
Regularizations[i]	(66.080)
Transfers to fixed assets	(16.492.393)
Final Balance	(4.799.570)
	1.601.958

[i] In the years 2012 and 2011, the adjustments relate to materials and equipment used in maintenance activities on network and facility clients.

6. TANGIBLE FIXED ASSETS (Continued)

Impairment losses

During the years 2012 and 2011, the movement in impairment losses for inventories was as follows:

August 31 2012

	Goods
Balance as of August 31, 2011	(2.585.960)
Reversals	938.038
Utilizations	971.842
Balance as of August 31, 2012	(676.080)

August 31 2011

	Goods
Balance as of August 31, 2010	(2.167.188)
Increases	(8.784)
Utilizations	528.050
Regularizations	(938.038)
Balance as of August 31, 2011	(2.585.960)

7. TAXES

The Company is subject to corporate income tax at the rate of 25% (12.5% on taxable profit of up to 12,500 Euros), increased by a municipal surcharge at the applicable rate (up to 1.5%). Additionally, any taxable profit in excess of Euros 2 million is subject to a State surcharge of 2.5%, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, the Company is subject to autonomous taxation over some costs incurred by the Company at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security).

These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, the Company's tax returns for the years 2008 to 2011 are subject to review by the tax authorities.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

– Notification for fiscal year 2003 to adjust tax losses by 7,284,000Euros and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of 1,295,000Euros. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of 1.695.000Euros. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal unfounded. Cabovisão appealed of that decision.

7. TAXES (Continued)

- Notification of the Portuguese Tax Authorities for the fiscal year 2004 resulted in a reduction of tax losses presented, in the amount of 29.567.000 Euros, as well as an additional assessment of withholding tax in the amount of 1.490.000 Euros to which the Company contested, once it believes the claim has no ground. During the fiscal year ended in August 31, 2012, The Portuguese Tax Authorities charged an additional amount of 148.000 Euros.
    - Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of 17.146.000 Euros, as well as an additional tax payment in the amount of 4.051.000 Euros for withholding tax and stamp tax. The Company paid 2.617.000 Euros and contested this remainder of the assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of 1.044.000 Euros claim was contested by hierarchic appeal but the Company has not received the final decision, yet. As a result, the Company presented a bank guarantee in the amount of 2.180.000 Euros. During the fiscal year ended in August 31, 2012, The Portuguese Tax Authorities agree with our claim in the amount of 662.000 Euros and contested by hierarchic appeal.
- For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately 4.900.000 Euros was contested in court and the Company has not received the final decision yet.

The Board of Directors believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded (Note 13) will not have a significant effect on the financial statements on August 31, 2012.

Income tax expense for the year

On August 31, 2012 and 2011 the income tax for the year is presented as follows:

Current Tax:

	31-08-2012	31-08-2011
Current Tax:		
Current Tax	213.471	125.332
	213.471	125.332

7. TAXES (Continued)

Reconciliation of tax rate:

	31-08-2012	31-08-2011
Loss before tax	(17.670.250)	(158.226.684)
Depreciation adjustment related with impairment (june, july and August 2012)	—	(8.852.841)
Permanent differences[(i)]	6.582.643	147.985.738
Fiscal Loss	(11.087.607)	(19.093.787)
Tax nominal of income (below 12.500 Euros)	0,0%	0,0%
Tax nominal of income (up 12.500 Euros)	25,0%	25,0%
	(2.771.902)	(4.773.447)
Adjustments to the collection[(ii)]	213.471	125.332
Fiscal loss to reported	2.771.902	4.773.447
Tax on income for the year	213.471	125.332
Effective tax rate	0,00%	0,00%
Current tax (Nota 9)	213.471	125.332
	213.471	125.332

(i) On August 31, 2012 and 2011, this amount was as follows:

	31-08-2012	31-08-2011
Negative equity changes (not reflected in net income)	—	(47.307)
Fines, penalties and interest compensation	34.992	18.742
Reversals of provisions taxed	(42.831)	(448.103)
Termination benefits and other employment benefits	—	(85.011)
Write-off´s	3.392.063	2.966.872
Depreciation	3.089.179	145.162.400
Fiscal benefits	—	(191.337)
Others, net	109.240	609.482
	6.582.643	147.985.738

(ii) Adjustments to taxable income in the years ended August 31, 2012 and 2011 are related to taxation of spending on light vehicles and representation expenses.

Deferred tax

On August 31, 2012, the Company chose not to register in the financial statements, the deferred tax assets related to tax losses as there is no reasonable expectation that future results generated by the operating activities of the Company are sufficient to accomplish.

Under current legislation, tax losses are carried forward for a period of four years (six years until 2009) after its occurrence and susceptible to deduction to taxable income generated during that period, unless it is determined at the date of expiry of tax period in which the deduction is made, that in relation to those who respect the losses, modified the object of the entity to which it relates, or significantly amended, the nature of the business previously carried on, or that the change occurs ownership of at least 50% of the share capital or a majority of voting rights, as stipulated in paragraph 1 of Article 52 of the IRC Code. In this context, the Company requested the tax authorities a request for preservation of tax losses, application made prior to the acquisition by Altice Portugal, SA on March 1, 2012, on which still

7. TAXES (Continued)

unanswered. Until the answer is delivered, the Company may only use the tax losses generated after the acquisition.

On August 31, 2012, the tax losses generated amounted to 50,198,698 Euros and mature as follows:

Fiscal period	Prescription year	Fiscal losses don't considered for deferred tax assets
2008	2014	9.069.758
2009	2013	13.299.848
2010	2014	19.093.787
2011	2016	11.087.607
		52.551.000

8. ACCOUNTS RECEIVABLE

As of August 31, 2012 and 2011 the accounts receivable of the Company are as follows:

	31-08-2012			31-08-2011		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non current costumers:						
Clients current accounts	1.117.640	—	1.117.640[(a)]	—	—	—
	1.117.640	—	1.117.640	—	—	—
Current costumers						
Clients current accounts	3.482.671	—	3.482.671	3.761.950	—	3.761.950
Clients doubtful collection	3.583.892	(2.497.000)	1.086.892	3.997.448	(2.771.538)	1.225.910
	7.066.563	(2.497.000)	4.569.563	7.759.398	(2.771.538)	4.987.860
	8.184.203	(2.497.000)	5.687.203	7.759.398	(2.771.538)	4.987.860

[(a)] On August 31, 2012, there are accounts receivable from Fibnet and Aveicabo, amounting to 1,181,051 and EUR 1,007,705, respectively, related to the sale of materials and equipment to be consumed on the premises of new Company's customers, and are expected to be settled within 24 months. The values of installments to be receivable on a term exceeding one year, amounting to 615,995 Euros and 624,586 Euros respectively were valued at their present value determined based on an average rate of 11%.

8. ACCOUNTS RECEIVABLE (Continued)

Impairment losses

During the years ended August 31, 2012 and 2011, the movement in impairment losses for customers was as follows:

August 31 2012

	31-08-2012
Balance as of August 31, 2011	2.771.538
Increase	3.109.807
Reversal[(a)]	7.718
Use	(3.392.063)
Balance as of August 31, 2012	2.497.000

(a) This amount is the result of adjustments of various amounts of customer balances and the amounts of VAT relating to unregulated corporate clients.

August 31 2011

	31-08-2011
Balance as of September 1, 2010	2.694.883
Increases	29.538
Use	47.117
Balance as of August 31, 2011	2.771.538

9. CORPORATE TAXES

On August 31, 2012 and 2011, this caption was as follows:

	31-08-2012		31-08-2011	
	Asset	Liability	Asset	Liability
Corporate Income Tax				
Estimation of income tax (Nota 7)	—	200.082	—	22.801
Advance Payments	210.000	—	70.000	—
VAT	—	2.552.311	—	1.837.532
Personal Income Tax	—	154.943	—	133.388
Social Security Contribuitions	—	237.249	—	229.532
Others	—	291	—	250
	210.000	3.144.876	70.000	2.223.503

10. OTHER ACCOUNTS RECEIVABLE

On August 31, 2012 and 2011, this caption was as follows:

	31-08-2012			31-08-2011		
	Gross Value	accumulated impairment losses	Net Value	Valor bruto	Perdas por imparidade acumuladas	Valor líquido
Other accounts receivable						
Employees	104.629	—	104.629	137.642	—	137.642
Others	106.105	—	106.105	224.709	—	224.709
Others						
Cautions	36.423	—	36.423	18.041	—	18.041
VAT	—	—	—	21.897	—	21.897
Others	16.496	—	16.496	18.915	—	18.915
Accrued income:						
Cable Television Billing	59.186	—	59.186	58.907	—	58.907
Internet Billing . . .	30.464	—	30.464	3.700	—	3.700
Phone Biiling . . .	1.156.462	—	1.156.462	1.036.410	—	1.036.410
Others	186.285	—	186.285	500	—	500
	1.696.050	—	1.696.050	1.520.721	—	1.520.721

11. DEFERRED ASSETS

On August 31, 2012 and 2011, this caption was as follows:

	31-08-2012	31-08-2011
Supplies and external services		
Computer Assistance	319.472	573.419
Rentals	59.085	62.081
Insurances	50.467	131.051
Network Maintenance	—	179.751
Municipality Taxes	2.658	2.634
Other services[(a)]	233.540	257.085
	665.222	1.206.021

(a) In fiscal 2012 and 2011, ''Other services'' includes spending on consumables, content contracts and interconnection of operators and maintenance.

12. EQUITY

Equity composition:

On August 31, 2012, the Company's share capital was fully subscribed and paid amounted to Euros 5,000,040, consisting of 2,500,020 shares with a nominal value of 2 euros being held as follows:

	31-08-2012		31-08-2011	
	%	Amount	%	Amount
Altice Portugal, S.A.	100%	5.000.040	0%	—
Cogeco Cable Luxembourg Holding S.à.r.l	0%	—	100%	30.000.240
		5.000.040		30.000.240

On February 29, 2012, by resolution of the General Assembly approved the resignations submitted by the Board of Directors, appointed by former shareholder Cogeco Cable Lux. Holding Sarl and the consequent appointment of new members to the Board of Directors, representing the shareholder Altice Portugal, SA.

By resolution of the General Meeting held on March 28, 2012, to comply with the provisions of Article No. 35 of the Commercial Companies Code, approved the capital reduction of the Company to cover losses directly in retained earnings in the amount of 25.000.200 Euros.

Other equity instruments

The other equity instruments correspond to additional paid subordinate, under the supplementary payments, which do not bear interest, and in accordance with the applicable commercial law, can only be returned to shareholders since the equity are not, after restitution , less than the sum of capital and legal reserve.

During the year ended August 31, 2012, the Company made repayment of supplementary subject in supplementary benefits scheme, totaling 18 million Euros, according to resolutions passed by the General Assembly (Act No. 65 and No. 68) held on May 10, 2012 and September 26, 2012 (Note 29), respectively.

Legal reserve:

The legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until it represents at least 20% of capital. This reserve is not distributable except in case of liquidation of the Company, but can be used to absorb losses after the other reserves, or increase capital.

Retained earnings:

During the year ended August 31, 2012, the Company made a number of adjustments that recorded directly in retained earnings, amounting to Euro 132,990,660 (Note 5.1).

On November 26, 2011, as decided in minute 68 of the General Assembly, was made the registration of capital reduction, directly in retained earnings in the amount of 25,000,200 Euros.

Application of results:

As decided by the General Meeting held on November 22, 2011, net income for the year ended 31 August 2011 was fully transferred to Retained Earnings.

13. PROVISIONS

During the years 2012 and 2011, there were the following changes in the balances of provisions:

August 31 2012:

	Provision for Lawsuits	Others provisions	Total
Balance as of August 31, 2011	67.078	5.178.164	5.245.242
Reduction/Adjustments	(40.363)	(196.396)	(236.759)
Balance as of August 31, 2012	26.715	4.981.768	5.008.483

During the year ended August 31, 2012, the Company performed the cancellation of fines relating to ongoing processes.

Other provisions aim to tackle tax claims and match management's best estimate, supported by the opinion of its legal counsel (Note 7).

31 August 2011:

	Provision for Lawsuits	Others provisions	Total
Balance as of August 31, 2011	72.578	5.472.364	5.544.942
Reduction/Adjustments	(5.500)	(294.200)	(299.700)
Balance as of August 31, 2012	67.078	5.178.164	5.245.242

14. CONTINGENT ASSETS AND LIABILITIES

Contingent assets

During the year ended August 31, 2012 and during the analysis of the Decree-Law n º 123/2009 of 21 May, the Company made the decision not to pay any fees charged by municipalities, in addition to TMDP. Additionally, there is the claim reimbursement of fees paid in prior years that were deemed improperly charged. On August 31, 2012, the Company had outstanding claims against several municipalities, totaling 3,689,025 Euros. To date, 40,072 Euros were received from five municipalities.
Contingent liabilities

a) *Bank guarantees:*

	31-08-2012	31-08-2011
Tax Authority	8.464.479	10.644.393
City Council	889.159	13.132
Third Parties	13.633	13.633
	9.367.272	10.671.158

b) *Real guarantees:*

On August 31, 2012, there was a debt to FGA Goldman Sachs International in the amount of 10,000,000 Euros (Note 15), secured by a pledge of all bank accounts held (except demand deposits account with the HSBC France) and shares of the Company's capital.

14. CONTINGENT ASSETS AND LIABILITIES (Continued)

c) *Other contingent liabilities:*

As a result of refusal by the Company to pay the municipal taxes referred to above (since September 2010), was initiated by the municipality of Almada, a process executive for payment of fees from 2006 to 2009, amounting to approximately 681,000 Euros. It is the understanding of the Board of Directors, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

15. LOANS OBTAINED

On August 31, 2012 and 2011, this caption is as follows:

	31-08-2012		31-08-2011	
	Current	Non Current	Current	Non Current
Bond Loan	—	10.000.000	—	—
	—	10.000.000	—	—

On August 31, 2012 and 2011, the detail of this loan is as follows:

				31-08-2012		31-08-2011	
Funding Entity	Date	Interest rate	Due date	Current	Non Current	Current	Non Current
Goldman Sachs[(a)]	16-05-2012	Euribor 1 month +5%	16-05-2015	—	10.000.000	—	—
				—	10.000.000	—	—

(a) On May 10, 2012, was approved in the minutes of the General Assembly to issue a bond in the amount of 10,000,000 Euros, issue about 200 variable rate bonds (Secured Floating Rate Bonds due 2015), with the nominal value of 50,000 Euros each, fully underwritten by Goldman Sachs International and repayable in full on May 15, 2015. This bond was registered in Interbolsa and pays interest semiannually at a rate of 1-month Euribor plus a spread of 5%, maturing the first provision for payment of interest on November 17, 2012.

16. LEASES

Operating leases:

On August 31, 2012 and 2011 the minimum payments associated with contracts for non-cancellable operating leases are as follows:

	31-08-2012	31-08-2011
Until 1 year	372.469	557.363
Between 1 and 5 years	468.112	697.205
	840.581	1.254.568

On August 31, 2012 and 2011 spending on operating leases was as follows:

	31-08-2012	31-08-2011
Payments on operating leases	798.315	862.759
	798.315	862.759

16. LEASES (Continued)

On August 31, 2012, minimum payments for operating leases represent leasing contracts made in the years 2008 to 2012 on the monthly lease of 132 passenger cars and goods for a period of 36 to 48 months.

17. EMPLOYEE BENEFITS

Employment termination benefits:

In the years 2012 and 2011 the Company recognized expenses of employment termination benefits in the amount of 1,609,142 Euros and 53,235 Euros respectively.

18. SUPPLIERS

As of August 31, 2012 and 2011 the item ‘‘Suppliers’’ has the following breakdown:

	31-08-2012	31-08-2011
Suppliers—current account	27.462.183	8.307.252
	27.462.183	8.307.252

As of August 31, 2012 and 2012, the breakdown for the caption ‘‘Suppliers, current accounts’’ was:

	31-08-2012	31-08-2011
Sport TV Portugal S.A.	2.439.212	928.140
Sociedade Independente de Comunicação, S.A.	2.258.107	(120.699)
Tempo Team Servicos Lda.	2.034.829	780.739
SPTI Networks Iberia, SL	1.850.787	458.147
Discovery Communications	1.780.905	344.784
FOX International Channels Espanã	1.454.667	326.122
Radio e Televisão de Portugal, S.A.	1.287.773	376.671
Eurosport, S.A.	1.184.202	265.011
PT Comunicações, S.A.	1.109.081	1.133.975
Other	12.062.620	3.814.362
	27.462.183	8.307.252

19. OTHER ACCOUNTS PAYABLE:

On August 31, 2012 and 2011, these items are as follows:

	31-08-2012	31-08-2011
Fixed Assets Suppliers		
Suppliers current accounts	7.137.812	5.002.746
Suppliers—invoices in matching	573.879	323.917
Others—current		
Employees	34.112	—
Others creditors:		
Rivagere	9.397	9.397
Others	12.590	12.432
Accrued expenses:		
Vacation pay and Bonus	1.280.675	2.009.615
Programming Expenses	3.162.050	5.969.708
Rental (poles and conduits)	1.639.518	554.928
Network construction	678.788	535.209
ANACOM—ICP	637.961	718.984
Maintenance contracts	589.229	863.196
Commission Payable	523.009	1.069.936
Author´s rights	522.567	196.407
Interconnection	409.037	522.550
Intercompany (Nota 28)	416.667	—
Cinema and Audiovisual and Multimedia Institute(ICA)[(i)]	175.000	425.000
Interests	172.417	—
Other[(ii)]	603.230	1.669.378
	18.577.938	19.883.403

[(i)] On December 31, 2006, Company began the process of negotiating the implications of the Law No. 42/2004 for the creation of a fund for cinema. On August 31, 2012, negotiations are still ongoing, and the Company recorded an additional expense in the amount of 175,000 Euros, which the Board considers appropriate and sufficient to meet this responsibility.

[(ii)] On 31 August 2012, the ''Other'' includes accrued expenses in the amount of 181,104 Euros, 105,000 Euros and 101,000 Euros to cover liabilities related to pre-retirement earnings, payments to former employees and electricity consumption, respectively.

On August 31, 2012 and 2011, the main suppliers were the following investment:

	31-08-2012	31-08-2011
Fibnet, S.A.	1.802.027	1.694.089
Aveicabo, S.A.	1.199.884	212.983
SatCab—Sat Lite Cabo TV	894.047	1.181.848
Sagecom	538.890	—
Genband Ireland Limited	322.188	483.199
Arris Solutions Inc.	—	374.055
Other	2.954.655	1.380.489
	7.711.691	5.326.663

20. DEFERRED LIABILITIES

On August 31, 2012 and 2011, this caption is as follows:

	31-08-2012	31-08-2011
Revenue from clients to recognize:		
Invoicing—Cable TV	6.782	(17.997)
Invoicing—Internet	2.736	336
Invoicing—Telephone	166	158
Penalties[(i)]	579.860	686.977
	589.544	669.474

(i) The Company is to defer the penalties charged to customers, resulting from the breach of loyalty clauses, and only recognized as revenue on a cash basis, due to the low probability of receipt.

21. REVENUE

Revenue for the years 2012 and 2011 is as follows:

	31-08-2012	31-08-2011
Sales		
Goods		
Net sales:		
Telephone	16.370	20.674
Internet	145.805	145.134
	162.175	165.808
Services rendered:		
Cable Television services	63.757.096	68.364.309
Telephone services	25.870.126	24.795.762
Internet services	27.474.551	31.265.343
Optical Fiber rent	969.520	860.042
Others	—	5
	118.071.293	125.285.461
	118.233.468	125.451.269

On August 31, 2012 and 2011, revenue recognized in the amount of Euros 118,233,468 and 125,451,269 Euros respectively, corresponds essentially to the provision of electronic communications services in different regions in the national market where the Company operates.

22. SUPPLIES AND EXTERNAL SERVICE

In the years 2012 and 2011, the balance of supply and services is presented as follows:

	31-08-2012	31-08-2011
Specialised work[(i)]	55.773.164	57.504.771
Rents and rentals	13.431.642	13.512.556
Maintenance and repairs[(ii)]	3.816.003	5.559.219
Advertising	3.137.927	4.748.917
Subcontracts	2.354.879	3.530.355
Electricity[(iii)]	1.691.479	1.310.462
Communication	1.489.956	1.493.341
Fuels	473.493	429.624
Freight	433.924	616.883
Insurance	199.647	289.676
Travelling and accommodation expe	189.494	208.862
Surveillance and security	183.133	192.526
Cleaning, hygiene and comfort	179.411	213.112
Office supplies	156.483	211.278
Litigation and notaries	79.214	206.348
Other	186.774	314.028
	83.776.623	90.341.958

(i) During the year ended August 31, 2012, the reduction in this caption is primarily related to the renegotiation of contracts with content providers.

(ii) In the year 2012 there was a decrease in this caption which is primarily related to the renegotiation of contracts with subcontractors and other suppliers of computer systems maintenance.

(iii) During the year ended August 31, 2011, the item ''Electricity'' includes a credit for billing arrangement that originated renegotiation of rental lockers, impacting the year ended August 31, 2012.

During the years ended August 31, 2012 and 2011, the shareholder debited management services and ''management fees'', totaling 3,737,066 Euros and 757,093 Euros, respectively (Nota28).

23. WAGES AND SALARIES

In the years 2012 and 2011, the balance of personnel expenses is presented as follows:

	31-08-2012	31-08-2011
Remuneration of board members	163.965	306.068
Remuneration of personnel	9.391.118	9.930.325
Post-employment benefits[(i)]	32.958	148.506
Severance[(ii)]	1.609.142	53.235
Social Security	2.078.917	2.211.337
Insurance	54.191	56.368
Social spending	286.208	309.860
Other	43.801	238.870
	13.660.300	13.254.569

(i) In the years 2012 and 2011, the amounts recorded under this heading relate to expenses for payment of compensation to two former employees by way of pre-retirement.

(ii) During the year ended August 31, 2012, the Company implemented a restructuring plan has started and completed the process of termination of employment contracts with 118 employees (Note 17).

23. WAGES AND SALARIES (Continued)

During the years ended August 31, 2012 and 2011, the average number of employees amounted to 331 and 375 employees, respectively.

24. OTHER INCOME AND GAINS

In the years 2012 and 2011, other income and gains were as follows:

	31-08-2012	31-08-2011
Supplementary revenue		
Other supplementary revenue	382.071	14.798
Recovery of receivables	313.279	188.414
Gains in inventories (Note 6)	—	1.806
Revenues and gains in financial assets:		
Foreign exchange gains	27.031	149.972
Revenues and gains in non-financial investments		
Disposals	1.656.682	—
Other revenues and gains	—	50
Other		
Adjustments from Prior Year	2.792	86.998
Other revenues and gains	39.055	70.426
	2.420.910	512.464

25. OTHER EXPENSES AND LOSSES

In the years 2012 and 2011, other expenses and losses were as follows:

	31-08-2012	31-08-2011
Taxes[i]	3.207.152	2.326.776
Write-off´s	3.392.063	3.009.542
Losses on inventories (Note 6)	30.458	3.269
Expenses and losses on financial assets:		
Foreign exchange losses	95.637	97.326
Expenses and losses on non-financial investments:		
Sales of fixed assets	1.613.039	—
Claims	—	1.241
Disposals	360.105	159.380
Other expenses and losses:		
Adjustments relating to prior periods	13.958	794
Donations	1.400	288
Contributions	77.235	62.445
Offers and sample inventories	—	—
Insufficiency of estimated taxes	84.303	—
Losses on financial instruments	—	—
Fines and penalties	2.342	2.004
Others	7.704	1.943
	8.885.396	5.665.008

[i] During the years ended August 31, 2012 and 2011, the caption ''Taxes'' relates primarily to expenses paid annually to Anacom and royalty paid to the Company as SPA, RTP Company independent Communication, SA and TVI, Audiogest, GEDIPE and GDA.

26. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

In the years 2012 and 2011, expenses and reversals of depreciation and amortization were as follows:

	31-08-2012	31-08-2011
Tangible fixed assets (Note 6)	33.278.179	26.932.954
	33.278.179	26.932.954

In the years 2012 and 2011, losses and reversals of impairment assets depreciable / amortizable were as follows:

Impairment Losses:

	31-08-2012	31-08-2011
Tangible fixed assets (Note 6)	635.719	141.663.812
	635.719	141.663.812

Additionally, for the year ended August 31, 2012, the Company reversed an impairment loss recorded in the previous year, amounting to 132,990,660 Euros, recorded directly in retained earnings.

27. INTEREST INCOME AND EXPENSE AND SIMILAR OBTAINED AND SUPPORTED

In the years 2012 and 2011, interest and similar income and expenses incurred and obtained were as follows:

	31-08-2012	31-08-2011
Interest and other similar income obtained		
Interest obtained	72.207	104.806
	72.207	104.806
Interest and other similar expenses		
Interest expenses:		
Bond loans (Note 28)	172.417	
Group companies (Note 28)	—	5.562.976
Other	32.650	17.532
	205.067	5.580.508

28. RELATED PARTIES

The Company's capital is wholly owned by Altice Portugal, SA (Altice VII) and, consequently, operations and transactions of the Company are influenced by the decisions of the Altice Group to which it belongs.

On August 31, 2012 and 2011 related-party balances are as follows:

Balance between parties:

August 31 2012:

	Other accounts payable (Note 19)
Shareholder	
Altice Portugal, S.A.	416.667
	416.667

August 31 2011:

On August 31, 2011 there were no outstanding balances with related parties.

Transactions between parties:

The related party transactions for the years ended August 31, 2012 and 2011 are as follows:

August 31 2012:

	Supplies and services (Note 22)	Interest Expenses (Note 27)
Shareholder		
Altice Portugal, S.A.	3.272.431	172.417
Former shareholder:		
Cogeco Cable Inc.	464.635	—
	3.737.066	172.417

28. RELATED PARTIES (Continued)

August 31 2011:

	Supplies and services (Note 22)	Interest Expenses (Note 27)
Shareholder		
Cogeco Cable Inc.	757.093	—
Cogeco Cable Luxembourg Finance S.a.r.l.	—	5.562.976
	757.093	5.562.976

29. EVENTS AFTER THE BALANCE SHEET DATE

On September 26, 2012, by resolution at a General Meeting (Minutes No. 67) approved the extinction of bonds in the amount of 10,000,000 Euros issued on May 16, 2012 issue about 200 variable rate bonds fully subscribed Goldman Sachs International (Note 15). Additionally, we also approved the issuance of new bonds in the amount of 25,000,000 Euros, to be issued on September 28, 2012, on issuing 250 bonds, variable rate (Secured Floating Rate due Bons 2015) with a nominal value of 100,000 Euros each, fully subscribed by the same entity and repayable in full on 31 January 2015. This loan bears interest at a monthly rate of 1-month Euribor plus average spread of 10%, beating up the first installment on 31 October 2012.

On September 26, 2012, by resolution at a General Meeting (Minutes No. 68), was approved by the sole shareholder return (Altice Portugal, SA) of supplementary scheme subject to supplementary obligations totaling approximately 13,902,000 euro. This determination should be made on payment of one or more installments, as from that date until the end of September 2012.

After the year end, and to this report, there were no other circumstances likely to affect the situation disclosed in the accounts for the purposes of subparagraph b) of paragraph 5 of the Commercial Companies Code.

30. EARNINGS PER SHARE

During the years ended August 31, 2012 and 2011, the basic earnings per share were as follows:

	31-08-2012	31-08-2011
Net Loss for the year	(17.883.721)	(158.352.017)
Weighted average number of shares in circulaton	2.500.020	2.500.020
Basic Loss per share (in Euros)	(7,15)	(63,34)

During the years ended August 31, 2012 and 2011, because there are no situations that create dilution, the diluted earnings per share are equal to basic earnings per share.

31. DISCLOSURES REQUIRED BY LEGISLATION

Fees invoiced by the Statutory Auditors

The total fees charged or to be charged by the Statutory Auditors for the years ended August 31, 2012 and 2011 relating to the annual statutory audit and quarterly reviews until February 29, 2012 amounted to 63,000 Euros and 137,700 Euros respectively.

32. ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS AND NOTES

These financial statements, format and disclosures are a translation of financial statements originally issued in Portuguese in accordance with SNC (''Sistema de Normalização Contabilística''), some of which may not conform to or be required by Generally Accepted Accounting Principles in other countries. In the event of discrepancies, the Portuguese language version prevails

Pamela, October 5, 2012

THE BOARD OF DIRECTORS THE CHARTERED ACCOUNTANT

Coditel Holding S.A.

Interim consolidated financial information as at and for the period ended March 31, 2013

37, Rue d'Anvers
L-1130 Luxembourg

R.C.S. Luxembourg B 160.938
Subscribed capital: EUR 643.225

Coditel Holding S.A.
Balance sheet
as at March 31, 2013
(in euros)

ASSETS In EUR	31/03/2013	31/12/2012
FIXED ASSETS		
Intangible assets		
Costs of research and development	3.812.537	3.453.920
Concessions, patents, licenses, trademarks and similar rights and assets	9.434.547	9.681.531
Goodwill, to the extent that it was acquired for valuable consideration	223.697.732	240.893.248
	236.944.816	**254.028.699**
Tangible assets		
Land and buildings	197.029	199.343
Plant and machinery	26.013.416	25.409.664
Other fixtures and fittings, tools and equipment	158.943	161.704
Payments on account and tangible assets in course of construction	1.771.929	2.105.103
	28.141.317	**27.875.814**
Financial assets		
Investments held as fixed assets	32	32
Loans and claims held as fixed assets	71.111	70.981
	71.143	**71.013**
TOTAL FIXED ASSETS	**265.157.276**	**281.975.526**
CURRENT ASSETS		
Stocks		
Raw materials and consumables	841.271	555.773
Work and contracts in progress	8.039	8.039
	849.310	**563.812**
Debtors		
Trade debtors		
Becoming due and payable within one year	21.304.802	21.673.151
Other debtors		
Becoming due and payable within one year	793.396	781.750
	22.098.198	**22.454.901**
Cash at bank and in hand	**7.449.902**	**6.469.217**
TOTAL CURRENT ASSETS	**30.397.410**	**29.487.930**
Prepayments and accrued income	**1.232.949**	**544.476**
TOTAL ASSETS	**296.787.635**	**312.007.932**

Coditel Holding S.A.
Balance sheet (Continued)
as at March 31, 2013
(in euros)

LIABILITIES In EUR	31/03/2013	31/12/2012
CAPITAL AND RESERVES		
Subscribed capital	643.235	643.235
Share premium and similar premiums	3.445.795	3.445.795
Reserves		
Legal reserve	19.200	19.200
Result brought forward	−143.878.077	−63.620.652
	−143.858.877	**−63.601.452**
Loss for the financial period / year	−19.962.315	−80.257.426
TOTAL CAPITAL AND RESERVES OF THE GROUP	**−159.732.162**	**−139.769.848**
SUBORDINATED CREDITORS	**159.500.773**	**154.537.910**
Provisions		
Provisions for pensions and similar obligations	623.340	673.190
Other provisions	2.364.438	2.535.072
	2.987.778	**3.208.262**
NON SUBORDINATED DEBT		
Amounts owed to credit institutions		
Becoming due and payable within one year	7.331.328	5.906.616
Becoming due and payable after more than one year	238.528.537	238.528.537
	245.859.865	**244.435.153**
Payments received on accounts of orders in so far as they are not shown separately as deductions from stocks		
Becoming due and payable within one year	3.600	3.600
Trade creditors		
Becoming due and payable within one year	23.611.396	25.653.191
Becoming due and payable after more than one year	5.857.931	5.857.931
	29.469.327	**31.511.122**
Tax and social security		
Tax	4.241.991	3.671.966
Social security	139.687	216.309
	4.381.678	**3.888.275**
Other creditors		
Becoming due and payable within one year	3.793.838	3.928.039
TOTAL CURRENT LIABILITIES	**283.508.308**	**283.766.189**
Accruals and deferred income	**10.522.938**	**10.265.419**
TOTAL LIABILITIES	**296.787.635**	**312.007.932**

Coditel Holding S.A.
Profit and loss account
For the period ended March 31, 2013
(in euros)

Charges In EUR	From 01/01/2013 to 31/03/2013	From 01/01/2012 to 31/03/2012
Raw materials and consumables	**3.828.645**	**2.787.345**
Other external charges	**2.179.778**	**2.581.712**
Staff costs		
Wages and salaries	1.193.706	1.155.328
Social security costs	288.020	248.221
Other social security costs	56.454	67.395
	1.538.180	**1.470.944**
Value adjustments		
on formation expenses and tangible and intangible fixed assets	19.904.991	19.748.336
on elements of current assets	39.702	147.000
	19.944.693	**19.895.336**
Other operating charges	**508.144**	**40.080**
Interest payable and other financial charges		
concerning affiliated undertaking	4.962.863	4.222.484
other interest payable and charges	5.610.389	5.607.239
	10.573.252	**9.829.723**
Extraordinary charges	**14.304**	**82.205**
Tax on profit or loss	**797.600**	**3.049**
Other taxes not included in the previous caption	**62**	**0**
TOTAL CHARGES	**39.384.658**	**36.690.394**

Income In EUR	From 01/01/2013 to 31/03/2013	From 01/01/2012 to 31/03/2012
Net turnover	**17.625.002**	**17.321.005**
Change in inventories of finished goods and of work and contracts in progress	**23.864**	**−46.673**
Capitalized production	**362.500**	**337.488**
Reversal of value adjustments		
on elements of current assets	748.702	0
Other operating income	**293.837**	**164.615**
Other interest receivable and financial income	**368.437**	**9.032**
Loss for the financial period	**19.962.315**	**18.904.927**
TOTAL INCOME	**39.384.658**	**36.690.394**

CODITEL HOLDING S.A.

Société Anonyme

Consolidated Annual Accounts for the year ended December 31, 2012 and Report of the Réviseur d'entreprises agréé

Rue d'Anvers, 37
L-1130 Luxembourg
R.C.S. Luxembourg: B 160 938

CODITEL HOLDING S.A.

Consolidated annual accounts as at December 31, 2012

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To the Sole Shareholder of
Coditel Holding S.A.
37 rue d'Anvers
L-1130 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated accounts

Following our appointment by the General meeting of the Sole Shareholder dated 8 June 2012, we have audited the accompanying consolidated accounts of Coditel Holdings S.A., which comprise the consolidated balance sheet as at 31 December 2012 and the consolidated profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibilities of the Sole Director for the consolidated accounts

The Sole Director is responsible for the preparation and fair presentation of these consolidated accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts, and for such internal control as the Sole Director is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Sole Director as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the consolidated financial position of Coditel Holding S.A. as of 31 December 2012, and of the consolidated results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Sole Director, is consistent with the consolidated accounts.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

30 April 2013

CODITEL HOLDING S.A.

Consolidated balance sheet as at December 31, 2012

ASSETS **In EUR**	**Note**	**2012**	**2011**
FIXED ASSETS			
Intangible assets	4		
Costs of research and development		3.453.920	1.528.926
Concessions, patents, licenses, trademarks and similar rights and assets acquired for valuable considerations		9.681.531	659.010
Goodwill		240.893.248	309.719.890
		254.028.699	**311.907.826**
Tangible assets	5		
Land and buildings		199.343	208.902
Plant and machinery		25.409.664	19.469.659
Other fixtures and fittings, tools and equipment		161.704	5.780.810
Payments on account and tangible assets in course of construction		2.105.103	0
		27.875.814	**25.459.371**
Financial assets			
Investments held as fixed assets		32	32
Other loans		70.981	70.904
		71.013	**70.936**
TOTAL FIXED ASSETS		**281.975.526**	**337.438.133**
CURRENT ASSETS			
Stocks	6		
Raw materials and consumables		555.773	1.181.605
Work and contracts in progress		8.039	43.694
		563.812	**1.225.299**
Debtors	7		
Trade debtors			
Becoming due and payable within one year		21.673.151	16.139.095
Other debtors			
Becoming due and payable within one year		781.750	2.531.220
		22.454.901	**18.670.315**
Cash at bank and in hand		**6.469.217**	**3.158.084**
TOTAL CURRENT ASSETS		**29.487.930**	**23.053.698**
Prepayments and accrued income	8	**544.477**	**240.842**
TOTAL ASSETS		**312.007.932**	**360.732.673**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDING S.A.

Consolidated balance sheet as at December 31, 2012 (Continued)

LIABILITIES In EUR	Notes	2012	2011
CAPITAL AND RESERVES	**10**		
Subscribed capital		643.235	643.235
Share premium and similar premiums		3.445.795	3.445.795
Reserves			
Legal reserve		19.200	19.200
Loss brought forward		−63.620.652	−20.968.564
		−63.601.452	**−20.949.364**
Loss for the financial year/period		−80.257.426	−42.652.088
TOTAL CAPITAL AND RESERVES OF THE GROUP		**−139.769.848**	**−59.512.422**
SUBORDINATED CREDITORS	**12**	**154.537.910**	**137.473.325**
Provisions	**11**		
Provisions for pensions and similar obligations		673.190	857.264
Other provisions		2.535.072	908.165
		3.208.262	**1.765.429**
NON SUBORDINATED DEBT			
Amounts owed to credit institutions	**13**		
Becoming due and payable within one year		5.906.616	5.860.339
Becoming due and payable after more than one year		238.528.537	240.000.000
		244.435.153	**245.860.339**
Payments received on accounts			
Becoming due and payable within one year		3.600	3.600
Trade creditors			
Becoming due and payable within one year	**14**	25.653.191	19.264.862
Becoming due and payable		5.857.931	0
		31.511.122	**19.264.862**
Tax and social security			
Tax		3.671.966	1.959.691
Social security		216.309	410.993
		3.888.275	**2.370.684**
Other creditors			
Becoming due and payable within one year	**15**	3.928.039	3.162.116
Accruals and deferred income	**9**	**10.265.419**	**10.344.740**
TOTAL LIABILITIES		**312.007.932**	**360.732.673**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDING S.A.

Consolidated profit and loss account for the year ended December 31, 2012

Charges		From 01/01/2012	From 01/08/2011
In EUR	Notes	To 31/12/2012	To 31/12/2011
Raw materials and consumables		**11.539.789**	**4.063.410**
Other external charges	**18**	**13.494.555**	**15.423.381**
Staff costs	**17**		
Wages and salaries		4.651.836	1.823.036
Social security costs		1.116.523	536.078
Other social security costs		255.164	0
		6.023.523	**2.359.114**
Value adjustments			
on formation expenses and on tangible and intangible fixed assets		79.996.615	33.160.099
on elements of current assets		264.111	271.655
		80.260.726	**33.431.754**
Other operating charges		**1.094.116**	**572.761**
Interest payable and other financial charges	**19**		
concerning affiliated undertaking		0	6.089.507
other interest payable and charges		41.473.562	9.631.677
		41.473.562	**15.721.184**
Extraordinary charges		**45.293**	**429.739**
Tax on profit or loss		**2.332.950**	**0**
Other taxes not shown under the above items		**62**	**0**
TOTAL CHARGES		**156.264.576**	**72.001.343**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDING S.A.

Consolidated profit and loss account for the year ended December 31, 2012 (Continued)

Income In EUR	Notes	From 01/01/2012 To 31/12/2012	From 01/08/2011 To 31/12/2011
Net turnover	16	**71.784.909**	**27.430.417**
Change in inventories of finished goods and of work and contracts in progress	6	**−357.655**	**319.809**
Capitalized production		**1.845.952**	**562.488**
Other operating income	20	**1.200.888**	**383.334**
Reversals of value adjustments		**1.467.361**	**0**
in respect of current assets		1.467.361	0
Other interest and other financial income		**24.199**	**26.627**
Extraordinary income		**41.497**	**577.500**
Tax on profit or loss		**0**	**49.080**
Loss for the financial year/period		**80.257.426**	**42.652.088**
TOTAL INCOME		**156.264.576**	**72.001.343**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDING S.A.
Notes to the consolidated annual accounts
for the year ended December 31, 2012

Note 1—General information

Coditel Holding S.A. (hereafter ''the Company'') was incorporated on May 12, 2011 and is organized under the laws of Luxembourg as a ''Société Anomyme'' for a limited period of time which will end on December 31, 2026.

The registered office of the Company is established at 37, rue d'Anvers, L-1130 Luxembourg. The Company is registered in the Luxembourg Trade and Companies Register under number B 160 938.

As at June 30, 2011 the Company acquired 100% of Coditel Brabant S.p.r.l. and its subsidiary Coditel S.à r.l. (Notes 4) (together hereafter referred to as the ''Group''). Before this acquisition, the Company had no participation in any other entities. The main activity of the Group consists in providing television and radio services as well as internet access and data services in Belgium and in Luxembourg.

During the Extraordinary General Meeting (''EGM'') of the Shareholders held on June 29, 2011 the Sole Shareholder of the Company decided to increase the share capital of the Company by an amount of EUR 161.000 so as to raise it from its current amount of EUR 31.000 to EUR 192.000 by the issue of 161.000 new shares with a nominal value of EUR 1 each, subject to the payment of a global share premium of EUR 908.000, out of which an amount of EUR 19.200 shall be allocated to the legal reserve of the Company.

During the EGM of Shareholders held on July 28, 2011 the Sole Shareholder of the Company decided to modify the accounting year end of the Company from the 31 December to the 31 July. Further to the above mentioned resolution, the accounting year of the Company starts on 1 August of each year and ended on 31 July of the following year, with the exception of the first financial period which began on the incorporation date and ended on July 31, 2011.

During the EGM of Shareholders held on December 1, 2011 the Sole Shareholder of the Company resolved to increase the share capital of the Company in an amount of EUR 451.235 so as to bring it from its current amount of EUR 192.000 to the amount of EUR 643.235, by the issuance of 451.235 shares with a nominal value of EUR 1 each, subject to the payment of a global share premium of EUR 2.556.995 to be fully paid up through a contribution in cash.

During the EGM of Shareholders held on December 14, 2011 the Sole Shareholder of the Company decided to change the accounting year end of the Company from July 31 to December 31 of each year.

These consolidated annual accounts have been approved by the Sole Director for issue on 30 April 2013.

Note 2—Scope of consolidation and consolidation policies

2.1—Scope of consolidation

The consolidated annual accounts as at December 31, 2012 of the Company include its annual accounts and those of all directly or indirectly majority owned subsidiaries. Subsidiaries are all entities over which the Company exercises control. Control is defined as the direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights owned by other entities are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are no longer consolidated from the date that control ceases.

The group and minority interests' share of profits or losses or changes in the net equity of subsidiaries are determined based on existing voting rights, without considering the effects of potential voting rights which are exercisable or convertible.

As at December 31, 2012 the Company has no investments in associates neither in joint ventures.

Note 2—Scope of consolidation and consolidation policies (Continued)

Entities included in the scope of consolidation are listed below:

		Percentage of control		Percentage of interest		Consolidation Method	
Name of the entity	**Country**	**2012**	**2011**	**2012**	**2011**	**2012**	**Main activity**
Coditel Holding S.A.	Luxembourg	PC	PC	PC	PC	FC	Holding and financing
Coditel Brabant S.p.r.l. . .	Belgium	100%	100%	100%	100%	FC	Cable operator
Coditel S.à r.l	Luxembourg	100%	100%	100%	100%	FC	Cable operator

PC : Parent Company
FC : Full Consolidation

2.2—Consolidation policies

2.2.1. General

The consolidated annual accounts include the balance sheet and profit and loss account of the Company and of its subsidiaries, as well as the present accompanying notes.

The accounts of the group entities have been adjusted when necessary in order to comply with the Group's accounting policies.

These consolidated annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law, determined and applied by the Sole Director.

The consolidated annual accounts have been prepared on a going concern basis, applying a historical cost convention.

2.2.2. Balances and transactions between consolidated companies

All intercompany-balances and intercompany transactions have been eliminated.

2.2.3. Conversion

The annual accounts of all group entities included in the consolidation scope are expressed in EUR.

2.2.4. Profit and loss account

The figures in the profit and loss account for the acquired companies are reflected on a pro-rata basis in terms of their acquisition date in order to incorporate only the result since the acquisition date.

Note 3—Summary of significant accounting policies

3.1—General principles

The consolidated annual accounts are established in accordance with the Luxembourg law.

3.2—Foreign currency transactions

The group maintains its accounting records in EUR and the consolidated annual accounts are expressed in this currency.

The cost of financial assets, investments and the shareholder's equity expressed in a currency other than EUR are translated into EUR at historical rates. All other assets and liabilities expressed in another currency than EUR are valued individually at the lower respectively higher of their value translated into EUR at historical exchange rates or at exchange rates prevailing at the balance sheet date.

Income and expenses in currencies other than EUR are translated into EUR at the average exchange rates or at exchange rates prevailing at transaction.

Note 3—Summary of significant accounting policies (Continued)

Consequently, only realized exchange gains and losses and unrealized exchange losses are reflected in the profit and loss account.

3.3—Intangible assets

3.3.1. Goodwill (residual goodwill acquired in the consolidation)

The difference between the acquisition price of the shares in the group entities included in the consolidation and their respective adjusted net book value at the date of the acquisition or at the date the group entity is included in the consolidation for the first time, is recorded as goodwill in the absence of identifiable assets or liabilities where this difference could be allocated. This goodwill is amortized on a straight line basis over 5 years.

3.3.2. Other intangible assets

Intangible assets are valued at purchase price including the expenses incidental thereto or at production cost, less accumulated amortization, determined on a straight line basis over the estimated remaining useful lives of the assets.

The amortization rates and methods applied are as follows:

	Rate of amortisation	Amortisation method
Cost of research and development	20% – 33,33%	Linear
Goodwill acquired for valuable consideration	20%	Linear

3.4—Tangible assets

Tangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost. Tangible assets are amortized over their estimated useful economic life.

The amortization rates and methods are as follows:

	Rate of amortisation	Amortisation method
Buildings	3,5% – 10%	Linear and Degressive
Plant and Machinery	5% – 33%	Linear and Degressive
Other Fixtures and Fittings, tools and equipment	5% – 40%	Linear and Degressive

Where the Group considers that a tangible asset has suffered a durable depreciation in value, an additional write-down is recorded in order to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.5—Financial assets

The financial assets, except for those included in the scope of consolidation (note 2), are recorded at their acquisition price including charges and expenses in connection with the financial asset during the financial years of its acquisition. For any diminution in value which is considered, in the opinion of the Sole Director, to be durable in nature, a value adjustment is made on the basis of a valuation of each individual asset at the end of each financial year.

3.6—Deferred taxation

No deferred taxation is recognized on differences between the carrying amounts of assets and liabilities in the consolidated accounts and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Note 3—Summary of significant accounting policies (Continued)

3.7—Stocks

Stocks are valued at the lower of purchase price calculated on the basis of weighted average prices or market value. A value adjustment is recorded where the market value is below the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.8—Debtors

Debtors are valued at their nominal value. If a debtor is considered unlikely to be able to pay the debt, a value adjustment is made.

3.9—Cash and deposits, creditors and other liabilities

Cash and deposits, creditors and other liabilities are valued at their nominal value.

3.10—Financial instruments

In accordance with the principle of prudence for financial instruments classified as held-to-maturity, unrealized losses are recognised in the profit and loss account under ''Other interest payable and charges'' and in balance sheet under ''others provisions''.

Commitments related to the operations of derivative instruments are recorded in off balance sheet commitments.

3.11—Provisions

Provisions to cover foreseeable liabilities and charges are determined at the end of each year. Provisions set up in previous years are reviewed regularly and may be written back to the profit and loss account.

3.12—Prepayments and accrued income

Prepayments and accrued income include income received during the financial year but relating to a subsequent financial year.

3.13—Accruals and deferred income

Accruals and deferred income include expenditure incurred during the financial year but relating to a subsequent financial year.

3.14—Value adjustments

Value adjustments are deducted directly from the related assets.

3.15—Net turnover

The net turnover includes the amounts derived from the sale of products and the provision of services falling within the ordinary activities of the Company and its subsidiaries, after deduction of sales rebates and of value added tax and other taxes linked directly to the turnover.

Note 4—Intangible assets

The movements of the year/period are as follows:

In EUR	Cost of research and development	Concessions, patents, licenses, trademarks and similar rights and assets	Goodwill	31/12/2012	31/12/2011
Gross book value—opening value	8.908.034	716.464	344.133.212	353.757.710	352.591.080
Entry in the scope of consolidation	—	—	—	—	0
Additions for the year/period	2.544.898	9.811.068	—	12.355.966	1.166.632
Disposals for the year/period . . .	− 541.999	—	—	− 541.999	0
Gross book value—closing value .	10.910.933	10.527.532	344.133.212	365.571.677	353.757.712
Amortisation—opening value	− 7.379.108	− 57.454	− 34.413.322	− 41.849.884	− 12.707.148
Amortisation for the year/period . .	− 1.131.013	− 975.653	− 68.826.642	− 70.933.308	− 29.142.738
Reversals for the year/period . . .	1.053.108	187.106	—	1.240.214	—
Amortisation—closing value	− 7.457.013	− 846.001	− 103.239.964	− 111.542.978	− 41.849.886
Net book value—closing value . .	3.453.920	9.681.531	240.893.248	254.028.699	311.907.826
Net book value—opening value . .	1.528.926	659.010	309.719.890	311.907.826	339.883.932

The cost of research and development is mainly composed of capitalised labour. These costs are written off over 3 to 5 years.

Goodwill is derived from the acquisition of Coditel Brabant S.p.r.l. and Coditel S.à r.l..

Note 5—Tangible assets

The movements of the year/period are as follows:

In EUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Payments on account and tangible assets in course of construction	31/12/2012	31/12/2011
Gross book value—opening value	764.633	186.977.205	28.561.315	—	216.303.153	213.247.688
Entry in the scope of consolidation	—	—	—	—	—	—
Additions for the year/period	—	9.525.656	80.817	4.105.103	13.711.576	4.423.280
Disposals for the year/period	—	− 930.845	− 7.969	− 2.000.000	− 2.938.814	− 967.201
Transfers for the year/period	—	27.157.702	− 26.757.092	—	400.610	—
Gross book value—closing value	764.633	222.729.718	1.877.071	2.105.103	227.476.525	216.703.767
Amortisation—opening value	− 555.731	− 167.507.546	− 22.780.505		− 190.843.782	− 188.081.763
Entry in the scope of consolidation	—	—	—	—	—	—
Amortisation for the year/period	− 9.559	− 9.007.554	− 49.932	—	− 9.067.045	− 4.017.358
Reversals for the year/period	—	702.756	7.969	—	710.725	854.725
Transfers for the year/period	—	− 21.507.710	21.107.101	—	− 400.609	—
Amortisation—closing value	− 565.290	− 197.320.054	− 1.715.367	—	− 199.600.711	− 191.244.396
Net book value—closing value	199.343	25.409.664	161.704	2.105.103	27.875.814	25.459.371
Net book value—opening value	208.902	19.469.659	5.780.810	—	25.459.371	25.165.925

Note 6—Stocks

The valuation of the stocks for the exercise is as follows:

In EUR	Raw materials and consumables	Work in progress and pending orders	31/12/2012	31/12/2011
Gross book value—opening value	1.181.605	43.694	1.225.299	871.763
Entry in the scope of consolidation	—	—	—	—
Changes in inventories during the exercise	−625.832	−35.655	−661.487	353.536
Gross book value—closing value	555.773	8.039	563.812	1.225.299
Value adjustments—opening value	—	—	—	—
Entry in the scope of consolidation	—	—	—	—
Value adjustments during the exercise	—	—	—	—
Value adjustments—closing value	—	—	—	—
Net book value—closing value	555.773	8.039	563.812	1.225.299
Net book value—opening value	1.181.605	43.694	1.225.299	871.763

Note 7—Debtors

As at December 31, 2012 trade receivable are mainly composed by invoices and invoices to be issued for EUR 25.376.543 (2011: EUR 8.937.618) and a value adjustment for EUR 3.703.392 (2011: EUR 3.699.878).

The other receivables are mainly composed by a deal cost receivable for EUR 17.280 (2011: EUR 1.812.000), a receivable for insurance and vehicles for EUR 179.987 (2011: EUR 145.695) and VAT to receive for EUR 579.393 (2011: EUR 228.026).

Note 8—Prepayments and accrued income

As at December 31, 2012 prepayments and accrued income are mainly composed by prepaid fees.

Note 9—Accruals and deferred income

As at December 31, 2012 accruals and deferred income are mainly composed by invoices for an amount of EUR 10.265.419 (2011: EUR 9.165.397).

Note 10—Capital and reserves

The movement in the equity of the Group is as follows:

In EUR	Subscribed Capital	Share premium	Legal reserve	Loss brought forward	Results for the exercise	Total 2012
As at January 1, 2012	643.235	3.445.795	19.200	−20.968.564	−42.652.088	−59.512.422
Allocation of prior year result	—	—	—	−42.652.088	42.652.088	—
Loss of the year	—	—	—	—	−80.303.068	−80.303.068
As at December 31, 2012	643.235	3.445.795	19.200	−63.620.652	−80.303.068	−139.815.490

Subscribed capital

At the end of the exercise, the subscribed capital amounts to EUR 643.235 and is represented by 643.235 shares with a nominal value of EUR 1 fully paid-up.

The Company has no authorized capital.

Note 10—Capital and reserves (Continued)

Share premium and equivalent

At the end of the exercise, the share premium account amounts to EUR 3.445.795.

Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed capital. This reserve may not be distributed.

Note 11—Provisions for liabilities and charges

Provisions for liabilities and charges for the exercise are made up as follows:

In EUR	31/12/2012	31/12/2011
Provision for pensions and similar obligations	673.190	857.264
Other provisions	2.535.072	908.165
Total	3.208.262	1.765.429

As at December 31, 2012 provisions related to unrealized losses on swaps for an amount of EUR 1.775.350 in the profit and loss account under ''Other interest payable and charges'' reducing the liability by the same amount under ''Other provisions''.

Note 12—Subordinated debts

As at December 31, 2012 the subordinated debts are as follows:

In EUR	Within one year	After one year and within five years	After more than five years	31/12/2012	31/12/2011
Preferred Equity Certificates (PECs)	—	—	152.938.765	152.938.765	130.122.770
Accrued interest on Preferred Equity Certificates	—	—	1.599.145	1.599.145	7.350.555
Total Preferred Equity Certificates	—	—	154.537.910	154.537.910	137.473.325

On June 29, 2011, the Company has issued 108.131.000 Preferred Equity Certificate (the ''PECs'') amounting to EUR 108.131.000 and divided into 108.131.000 PECs with a nominal value of EUR 1. Each PEC bears a yield and the PECs shall have a maturity of 49 years.

On December 1, 2011, the Company has issued 21.991.770 Preferred Equity Certificate (the ''PECs'') amounting to EUR 21.991.770 and divided into 21.991.770 PECs with a nominal value of EUR 1. Each PEC bears a yield and the PECs shall have a maturity of 49 years.

The accrued interest for the exercise amounts to EUR 1.599.145 (2011: EUR 7.350.555) and the total amounts to EUR 154.537.910 (2011: EUR 137.473.324).

Note 13—Amounts owed to credit institutions

As at December 31, 2012 amounts owed to credit institutions are as follows:

In EUR	Within one year	After one year and within five years	After more than five years	31/12/2012	31/12/2011
Amounts owed to credit institutions	5.000000	31.000.000	207.528.537	243.528.537	244.000.000
Accrued interest on Loan from credit institutions	906.616	—	—	906.616	1.860.339
Total Amounts owed to credit institutions	5.906.616	31.000.000	207.528.537	244.435.153	245.860.339

According to the Sole Director, the Company has respected all the covenants regarding the debts with the banks.

Note 14—Trade creditors becoming due and payable within one year

As at December 31, 2012 trade creditors are mainly composed of invoices and invoices to be received from suppliers in the normal course of the main activity of the company.

Note 15—Other creditors

As at December 31, 2012 the other debts are mainly made up of wages and salaries as well as guarantees and deposits received from customers.

Note 16—Net turnover

The net turnover for the year/period is broken down by category of activity as follows:

Categories of activity In EUR	31/12/2012	From 01/08/2011 To 31/12/2011
Basic Television services	25.009.999	9.309.049
Premium Television services	7.101.648	2.992.418
Television & Video on demand	634.077	284.936
Internet & Data services	11.810.865	4.760.802
Voice over IP services	10.268.840	3.678.930
Connection fees	1.455.839	442.702
Infrastructure renting	6.084.640	3.621.374
Other services	9.419.001	2.340.206
Total	71.784.909	27.430.417

The net turnover for the year/period is broken down into geographical markets as follows:

Geographical markets In EUR	31/12/2012	31/12/2011
Belgium	53.353.075	20.675.118
Luxembourg	18.431.834	6.755.299
Total	71.784.909	27.430.417

Note 17—Staff

The group has employed an average of 82 employees during the financial year (2011: 90 employees).

Note 18—Other external charges

Other external charges for the financial year/period are broken down as follows:

In EUR	31/12/2012	31/12/2011
Energy, water and fuel	107.888	93.021
Marketing and communication costs	2.387.076	1.088.603
Administrative and management fees	8.254.517	12.449.581
Other charges	2.745.074	1.792.176
Total	13.494.555	15.423.381

Note 19—Interest payable and financial charges

Interest and financial charges as well as other interest and financial income for the exercise are broken down as follows:

In EUR	31/12/2012	31/12/2011
Financial Charges		
—Interest on PECs	17.064.585	6.089.507
—Interest on loans granted by Credit Institutions	22.652.097	9.622.856
—Other financial charges	1.756.880	8.821
Total Financial charges	41.473.562	15.721.184

Note 20—Other operating income

As at December 31, 2012 the other operating income is mainly made up of fees reinvoiced to clients not returning their devices.

Note 21—Taxation

The tax charge for the year is made up of income tax.

Note 22—Emoluments granted and commitments in respect of retirement pensions

As at 31 December 2012, there is no emolument granted to members of the administrative, managerial and or supervisory bodies in the capacity of the company.

There are neither obligations arising or entered into in respect of retirement pensions for the former members of those bodies of the company for the financial year.

There are no amounts of emoluments granted in respect of the financial year to members of the administrative, managerial and supervisory bodies of the parent company by reason of their responsibilities in the parent company and its subsidiary undertakings, acting in that capacity and any commitments arising or contracted in respect of retirement pensions for former members of those bodies.

Note 23—Advances and loans granted

As at 31 December 2012, the company does not grant advances and loans to the members of the administrative, managerial bodies.

Note 24—Off balance sheets commitments

Off balance sheets commitments include:

- Future minimum lease payments amount to EUR 489.437 (Coditel Brabant S.P.R.L : EUR 239.188 and Coditel S.à.r.l : EUR 250.249) (2011:EUR 271.543, Coditel Brabant S.P.R.L : EUR 148.509 and Coditel S.à.r.l : EUR 123.034);
- Bank guarantees for an amounts of EUR 654.832 (Coditel Brabant S.P.R.L : EUR 557.704 and Coditel S.à.r.l : EUR 97.128) (2011: EUR 358.172, Coditel Brabant S.P.R.L : EUR 261.044 and Coditel S.à.r.l : EUR 97.128);
- The shares, bank accounts and receivables of Coditel Brabant S.P.R.L and Coditel S.à r.l. have been pledged. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity;
- On February 2012, the Company has concluded the following swap transactions:
  - a swap transaction with ING amounting to EUR 35.000.000,00 with a maturity date on March 31, 2015 and an interest rate composed of a fixed rate of 0.770% and an EUR-euribor-reuters floating rate;
  - a swap transaction with ING amounting to EUR 17.500.000,00 with a maturity date on March 31, 2015 a fixed rate of 0.775% and an EUR-euribor-reuters floating rate;
  - a swap transaction with ING amounting to EUR 50.000.000,00 with a maturity date on March 31, 2015 a fixed rate of 0.710% and an EUR-euribor-reuters floating rate;
  - a swap transaction with KBC amounting to EUR 20.000.000,00 with a maturity date on March 31, 2015 a fixed rate of 0.755% and an EUR-euribor-reuters floating rate;
  - a swap transaction with HSBC amounting to EUR 17.500.000,00 with a maturity date on March 31, 2015 a fixed rate of 0.770% and an EUR-euribor-reuters floating rate;

Note 25—Going Concern

The Sole Director has determined that notwithstanding the Group has net current liabilities as at December 31, 2012 the underlying operations shall generate sufficient cash flows to allow the Group to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Board of Directors has hence determined that it is appropriate to prepare the consolidated financial statements on a going concern basis.

MANAGEMENT REPORT on the consolidated accounts
Coditel Holding SA
37 rue d'Anvers, L1130 Luxembourg B160938
TVA LU24815119

MANAGEMENT REPORT OF THE BOARD OF MANAGERS PRESENTED TO THE ANNUAL GENERAL MEETING OF THE PARTNERS

Ladies and Gentlemen,

As prescribed by the law and by the Company's articles of association, we have brought you together at the Annual General Meeting, to highlight our activities during the year ended December 31, 2012, and to submit the relevant annual accounts for your approval.

Activity of the company

During the current accounting period, we have developed the activities of Coditel Belgium and Coditel Luxembourg.

The companies have continued the modernization of the networks: the fiber optic cables were brought closer to the individual customers, the bandwith and speeds were significantly increased. These works, as well as significant investments in network head end, allowed developing a pay TV service, a fixed line service offer, and improved internet traffic management. The acquisition of the AIESH concession ''botte du Hainaut'' has enabled us to add 20000 homes passed. The upgrade is currently ongoing.

The Company has 2 subsidiaries (Coditel Belgium and Coditel Luxembourg) and has no succursales and does not use any other financial instruments other than those mentioned in the annual accounts.

Results and Allocation

1. Approval of the annual accounts

We hereby submit for your approval of the annual accounts for the financial year ended December 31, 2012.

We remind you that the accounts are prepared in accordance with the accounting rules of Luxembourg.

The financial year has been closed with a loss of EUR 80 257 426.

2. Proposals for allocation of results

We propose to approve the annual accounts (balance sheet, profit and loss and annexes) as they are presented to you and which show a loss of 80.257.426 EUR and report this loss to the accumulated results.

Subsequent events

There are no important subsequent events to note since the end of the year December 31 2012.

No circumstance to our knowledge has a material impact on the development of the Company.

The outlook is stable in our competitive environment.

We propose, after the reports presented to you by your Réviseur d'entreprises agréé, to adopt the resolutions to your vote.

We thank the members of our personnel for the work that they have performed.

Luxembourg, 30 April 2013

The Board of Directors

CODITEL HOLDING S.A.

Société Anonyme

Consolidated Annual Accounts
for the year ended December 31, 2011
and Report of the Réviseur d'entreprise agréé

Rue d'Anvers, 37
L-1130 Luxembourg
R.C.S. Luxembourg B 160 938

CODITEL HOLDING S.A.

Consolidated annual accounts as at December 31, 2011

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To the Sole Shareholder of
Coditel Holding S.A.
37 rue d'Anvers
L-1130 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated accounts

Following our appointment by the Sole Director, we have audited the accompanying consolidated accounts of Coditel Holding S.A., which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated profit and loss account for the period from 1 August 2011 to 31 December 2011, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Sole Director for the consolidated accounts

The Sole Director is responsible for the preparation and fair presentation of these consolidated accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts, and for such internal control as the Sole Director determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Sole Director as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the consolidated financial position of Coditel Holding S.A. as of 31 December 2011, and of the consolidated results of its operations for the period from 1 August 2011 to 31 December 2011 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Sole Director, is consistent with the consolidated accounts.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

6 June 2012

CODITEL HOLDING S.A.

Consolidated balance sheet as at December 31, 2011

ASSETS In EUR	Notes	2011
FIXED ASSETS		
Intangible assets	4	
Costs of research and development		1.528.926
Concessions, patents, licenses, trademarks and similar rights and assets		659.010
Goodwill		309.719.890
		311.907.826
Tangible assets	5	
Land and buildings		208.902
Plant and machinery		19.469.659
Other fixtures and fittings, tools and equipment		5.780.810
		25.459.371
Financial assets		
Security held as fixed assets		32
Other loans		70.904
		70.936
TOTAL FIXED ASSETS		**337.438.133**
CURRENT ASSETS		
Stocks	6	
Raw materials and consumables		1.181.605
Work in progress and pending orders		43.694
		1.225.299
Debtors	7	
Trade debtors		
Becoming due and payable within one year		16.139.095
Other debtors		
Becoming due and payable within one year		**2.531.220**
		18.670.315
Cash at bank and in hand		**3.158.084**
TOTAL CURRENT ASSETS		**23.053.698**
Prepayments and accrued income	8	**240.842**
TOTAL ASSETS		**360.732.673**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDING S.A.

Consolidated balance sheet as at December 31, 2011

Liabilities In EUR	Notes	2011
CAPITAL AND RESERVES	**10**	
Subscribed capital		643.235
Share premium and equivalent		3.445.795
Reserves		
Legal reserve		19.200
Consolidation reserves		(20.968.564)
		(20.949.364)
Loss for the financial period		(42.652.088)
TOTAL CAPITAL AND RESERVES OF THE GROUP		**(59.512.422)**
SUBORDINATED DEBTS	**12**	**137.473.325**
Provisions	**11**	
Provisions for pensions and similar obligations		857.264
Other provisions		908.165
		1.765.429
UNSUBORDINATED CREDITORS		
Amounts owed to credit institutions	**13**	
Becoming due and payable within one year		5.860.339
Becoming due and payable after more than one year		240.000.000
		245.860.339
Payments received on accounts		
Becoming due and payable within one year		3.600
Trade creditors		
Becoming due and payable within one year	**14**	19.264.862
Tax and social security debts		
Tax		1.959.691
Social security		410.993
		2.370.684
Other creditors		
Becoming due and payable within one year	**15**	3.162.116
TOTAL CURRENT LIABILITIES		**270.661.601**
Accruals and deferred income	**9**	**10.344.740**
TOTAL LIABILITIES		**360.732.673**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDINGS S.A.

Consolidated profit and loss account for the period from

August 1, 2011 to December 31, 2011

CHARGES In EUR	Notes	2011
Consumption of goods, raw materials and consumables		**4.063.410**
Other external charges	**18**	**15.423.381**
Staff costs	**17**	
Wages and salaries		1.823.036
Social security costs		536.078
		2.359.114
Value adjustments		
in respect of formation expenses and tangible and intangible assets		33.160.099
in respect of current assets		271.655
		33.431.754
Other operating charges		**572.761**
Interest payable and financial charges	**19**	
concerning affiliated undertakings		6.089.507
other interest payable and charges		9.631.677
		15.721.184
Extraordinary charges	**21**	**429.739**
TOTAL CHARGES		**72.001.343**

INCOME In EUR	Notes	2011
Net turnover	**16**	**27.430.417**
Change in stocks of finished goods and in work in progress	**6**	**319.809**
Capitalized production		**562.488**
Other operating income	**20**	**383.334**
Other interest and other financial income	**19**	**26.627**
Extraordinary income	**21**	**577.500**
Tax on profit or loss		**49.080**
Loss for the financial period		**42.652.088**
TOTAL INCOME		**72.001.343**

The accompanying notes are an integral part of these consolidated annual accounts.

CODITEL HOLDING S.A.

Notes to the consolidated annual accounts

for the period ended December 31, 2011

Note 1—General information

Coditel Holding S.A. (hereafter ''the Company'') was incorporated on May 12, 2011 and is organized under the laws of Luxembourg as a ''Société Anomyme'' for a limited period of time which will end on December 31, 2026.

The registered office of the Company is established at 37, rue d'Anvers, L-1130 Luxembourg. The Company is registered in the Luxembourg Trade and Companies Register under number B 160 938.

As at June 30, 2011 the Company acquired 100% of Coditel Brabant S.p.r.l. (Notes 4) (together hereafter referred to as the ''Group''). Before this acquisition, the Company had no participation in any other entities. The main activity of the Group consists in providing television and radio services as well as internet access and data services in Belgium and in Luxembourg.

During the Extraordinary General Meeting (''EGM'') of Shareholders held on June 29, 2011 the sole shareholder of the Company decided to increase the share capital of the Company by an amount of EUR 161.000 so as to raise it from its current amount of EUR 31.000 to EUR 192.000 by the issue of 161.000 new shares with a nominal value of EUR 1 each, subject to the payment of a global share premium of EUR 908.000, out of which an amount of EUR 19.200 shall be allocated to the legal reserve of the Company.

During the EGM of Shareholders held on July 28, 2011 the sole shareholder of the Company decided to modify the accounting year end of the Company from the 31 December to the 31 July. Further to the above mentioned resolution, the accounting year of the Company starts on 1 August of each year and ends on 31 July of the following year, with the exception for the first financial period which began on the incorporation date and ended on July 31, 2011.

During the EGM of Shareholders held on December 1, 2011 the Sole Shareholder of the Company resolved to increase the share capital of the Company in an amount of EUR 451.235 so as to bring it from its current amount of EUR 192.000 to the amount of EUR 643.235, by the issuance of 451.235 shares with a nominal value of EUR 1 each, subject to the payment of a global share premium of EUR 2.556.995 to be fully paid up through a contribution in cash.

During the EGM of Shareholders held on December 14, 2011 the Sole Shareholder of the Company decided to change the accounting year end of the Company from July 31 to December 31 of each year.

These consolidated annual accounts have been approved by the Sole Director for issue on June 6, 2012.

Note 2—Scope of consolidation and consolidation policies

2.1—Scope of consolidation

The consolidated annual accounts as at December 31, 2011 of the Company include its sand-alone annual accounts and those of all directly or indirectly majority owned subsidiaries. Subsidiaries are all entities over which the Company exercises control. Control is defined as the direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights owned by other entities are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are no longer consolidated from the date that control ceases.

The group and minority interests' share of profits or losses or changes in the net equity of subsidiaries are determined based on existing voting rights, without considering the effects of potential voting rights which are exercisable or convertible.

As at December 31, 2011 the Company has no investments in associates neither joint—ventures nor minority interests.

Note 2—Scope of consolidation and consolidation policies (Continued)

Entities included in the scope of consolidation are listed below:

Name of the entity	Country	Percentage of control	Percentage of interest	Consolidation method	Main activity
Coditel Holding S.A. . .	Luxembourg	Parent company	Parent company	Full consolidation	Holding and financing
Coditel Brabant S.P.R.L	Belgium	100%	100%	Full consolidation	Cable operator
Coditel S.à r.l.	Luxembourg	100%	100%	Full consolidation	Cable operator

2.2—Consolidation policies

2.2.1. General

The consolidated annual accounts include the balance sheet and profit and loss account of the Company and of its subsidiaries, as well as the present accompanying notes.

The accounts of the group entities have been adjusted when necessary in order to comply with the group's accounting policies.

These consolidated annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law, determined and applied by the Sole Director.

The consolidated annual accounts have been prepared on a going concern basis, applying a historical cost convention.

The company prepared consolidated accounts for the first time as of December 31, 2011. Consequently there are no comparative figures presented.

2.2.2. Balances and transactions between consolidated companies

All intercompany-balances and intercompany transactions have been eliminated.

2.2.3. Conversion

The annual accounts of all group entities included in the consolidation scope are expressed in EUR.

2.2.4. Profit and loss account

The figures in the profit and loss account for the acquired companies are reflected on a pro-rata basis in terms of their acquisition date in order to incorporate only the result since the acquisition date.

Note 3—Summary of significant accounting policies

3.1—General principles

The consolidated annual accounts are established in accordance with the Luxembourg law.

3.2—Foreign currency transactions

The group maintains its accounting records in EUR and the consolidated annual accounts are expressed in this currency.

The cost of financial assets, investments and the shareholder's equity expressed in a currency other than EUR are translated into EUR at historical rates. All other assets and liabilities expressed in another currency than EUR are valued individually at the lower of their value translated into EUR at historical exchange rates or at exchange rates prevailing at the balance sheet date.

Income and expenses in currencies other than EUR are translated into EUR at the average exchange rates or at exchange rates prevailing at transaction.

Note 3—Summary of significant accounting policies (Continued)

Consequently, only realized exchange gains and losses and unrealized exchange losses are reflected in the profit and loss account.

3.3—Intangible assets

3.3.1. Goodwill (residual goodwill acquired in the consolidation)

The difference between the acquisition price of the shares in the group entities included in the consolidation and their respective adjusted net book value at the date of the acquisition or at the date the group entity is included in the consolidation for the first time, is recorded as goodwill in the absence of identifiable assets or liabilities where this difference could be allocated. This goodwill is amortized on a straight line basis over the time the group considers that it will benefit from it. Such goodwill is amortised over 5 years in line with the expectation of the management.

3.3.2. Other intangible assets

Intangible assets are valued at purchase price including the expenses incidental thereto or at production cost, less accumulated amortization, determined on a straight line basis over the estimated remaining useful lives of the assets.

The amortization rates and methods applied are as follows:

	Rate of amortisation	Amortisation method
Cost of research and development	20%—33.33%	Linear
Goodwill acquired for valuable consideration	20%	Linear

3.4—Tangible assets

Tangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost. Tangible assets are amortized over their estimated useful economic life.

The amortization rates and methods are as follows:

	Rate of amortisation	Amortisation method
Buildings	3.5%—10%	Linear and Degressive
Plant and Machinery	5%—33%	Linear and Degressive
Other Fixtures and Fittings, tools and equipment	5%—40%	Linear and Degressive

Where the Group considers that a tangible asset has suffered a durable depreciation in value, an additional write-down is recorded in order to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.5—Financial assets

The financial assets, except for those included in the scope of consolidation (note 2), are recorded at their acquisition price including charges and expenses in connection with the financial asset during the financial years of its acquisition. For any diminution in value which is considered, in the opinion of the Sole Director, to be durable in nature, a value adjustment is made on the basis of a valuation of each individual asset at the end of each financial year.

3.6—Deferred taxation

Deferred taxation is recognized on differences between the carrying amounts of assets and liabilities in the consolidated accounts and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that

Note 3—Summary of significant accounting policies (Continued)

it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

When appropriate, deferred taxation is provided on losses available for carry forward to offset against future taxable profits and on temporary differences between the tax basis of assets and liabilities and their carrying value for financial reporting purposes, measured at tax rates that are expected to apply when the asset is realized for the liability is settled, based on tax rates that have been enacted at the date of the consolidated balance sheet.

3.7—Stocks

Stocks are valued at the lower of purchase price calculated on the basis of weighted average prices or market value. A value adjustment is recorded where the market value is below the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.8—Debtors

Debtors are valued at their nominal value. If a debtor is considered unlikely to be able to pay the debt, a value adjustment is made.

3.9—Cash and deposits, creditors and other liabilities

Cash and deposits, creditors and other liabilities are valued at their nominal value.

3.10—Provisions

Provisions to cover foreseeable liabilities and charges are determined at the end of each year. Provisions set up in previous years are reviewed regularly and may be written back to the profit and loss account.

3.11—Prepayments and accrued income

Prepayments and accrued income include received during the financial year but relating to a subsequent financial year.

3.12—Accruals and deferred income

Accruals and deferred income include expenditure incurred during the financial year but relating to a subsequent financial year.

3.13—Value adjustments

Value Adjustments are deducted directly from the related assets.

3.14—Turnover

The net turnover includes the amounts derived from the sale of products and the provision of services falling within the ordinary activities of the Company and its subsidiaries, after deduction of sales rebates and of value added tax and other taxes linked directly to the turnover.

Note 4—Intangible assets

The movements of the period are as follows:

In EUR	Cost of research and development	Concessions, patents, licences, trademarks and similar rights and assets	Goodwill	Total 2011
Gross book value—opening value	**8.448.820**	**9.048**	**344.133.212**	**352.591.080**
Entry in the scope of consolidation	—	—	—	—
Additions for the period	459.215	707.417	—	**1.166.632**
Disposals for the period	—	—	—	**—**
Transfers for the period	—	—	—	**—**
Gross book value—closing value	**8.908.035**	**716.465**	**344.133.212**	**353.757.712**
Amortisation—opening value	**(6.962.546)**	**(9.048)**	**(5.735.554)**	**(12.707.148)**
Entry in the scope of consolidation	—	—	—	**—**
Amortisation for the period	(416.563)	(48.407)	(28.677.768)	**(29.142.738)**
Reversals for the period	—	—	—	**—**
Transfers for the period	—	—	—	**—**
Amortisation—closing value	**(7.379.109)**	**(57.455)**	**(34.413.322)**	**(41.849.886)**
Net book value—closing value	**1.528.926**	**659.010**	**309.719.890**	**311.907.826**
Net book value—opening value	**1.486.274**	**—**	**338.397.658**	**339.883.932**

The cost of research and development item is mainly composed by capitalised labour. These costs are written off over 3 to 5 years.

As at June 30, 2011 the goodwill on consolidation generated by the purchase of both subsidiaries is as follows:

Name of the entity	Consideration transferred	Percentage of interest	Value of identifiable assets & liabilities	Goodwill/ (Badwill)
	(EUR)	%	(EUR)	(EUR)
Coditel Brabank S.à r.l. (Belgium)	244.254.819	100%	4.892.303	239.362.516
Coditel S.à r.l. (Luxembourg)	106.842.800	100%	2.072.104	104.770.696
Total	**351.097.619**		**6.964.407**	**344.133.212**

The Company acquired 100% of Coditel Brabant S.p.r.l. for a total amount of EUR 244.254.819. At the acquisition date Coditel Brabant S.p.r.l held 100% of Coditel Luxembourg S.à r.l. for a total amount of EUR 106.842.800. The goodwill represents the difference between the acquisition price of the shares in the group entities included in the consolidation and their respective adjusted net book value at the acquisition date. According to the Generally Accepted Accounting Principles in force in Luxembourg, the goodwill has to be allocated, as far as possible, between the fair value of the identifiable assets and liabilities and the corresponding acquirees' net book value. After consideration by the Management of the Company of this process and based on a valuation report achieved for this purpose by an expert, the difference between the fair value of the identifiable assets and liabilities and their corresponding net book value would have resulted in an allocation against the goodwill of an estimated amount of EUR 239.000. The latter amount has been considered by the management of the Company as non-significant and consequently, the excess of the purchase price paid at acquisition has been entirely recorded as a goodwill in the consolidated annual accounts and amortized over 5 years.

Note 5—Tangible assets

The movements of the period are as follows:

In EUR	Land and buildings	Plant and Machinery	Other, Fixtures and Fittings, tools and equipment	Total 2011
Gross book value—opening value	**764.634**	**183.980.411**	**28.502.643**	**213.247.688**
Entry in the scope of consolidation	—	—	—	**—**
Additions for the period	—	2,996,795	1,426,485	**4,423,280**
Disposals for the period	—	—	(967.201)	**(967.201)**
Transfers for the period	—	—	—	**—**
Gross book value—closing value	**764,634**	**186.977.206**	**28.961.927**	**216.703.767**
Amortisation—opening value	**(551.590)**	**(165.153.365)**	**(22.376.808)**	**(188.081.763)**
Entry in the scope of consolidation	—	—	—	**—**
Amortisation for the period	(4.142)	(2.354.182)	(1.659.034)	**(4.017.358)**
Reversals for the period	—	—	854.725	**854.725**
Transfers for the period	—	—	—	**—**
Amortisation—closing value	**(555.732)**	**(167.507.547)**	**(23.181.117)**	**(191.244.396)**
Net book value—closing value	**208.902**	**19.469.659**	**5.780.810**	**25.459.371**
Net book value—opening value	**213.044**	**18.827.046**	**6.125.835**	**25.165.925**

Note 6—Stocks

The valuation of the stocks for the period is as follows:

In EUR	Raw materials and consumables	Work in progress and pending orders	Total 2011
Gross book value—opening value	**861.796**	**9.967**	**871.763**
Entry in the scope of consolidation	—	—	**—**
Changes in inventories during the period	319.809	33.727	**353.536**
Gross book value—closing value	**1.181.605**	**43.694**	**1.225.299**
Value adjustments—opening value	**—**	**—**	**—**
Entry in the scope of consolidation			
Value adjustments during the period	—	—	**—**
Value adjustments—closing value	**—**	**—**	**—**
Net book value—closing value	**1.181.605**	**43.694**	**1.225.299**
Net book value—opening value	**861.796**	**9.967**	**871.763**

Note 7—Debtors

As at December 31, 2011 trade receivable are mainly composed by invoices and invoices to be issued for for EUR 8.937.618 and a value adjustment for EUR 3.699.878.

The other receivables are mainly composed by a deal cost receivable for EUR 1.812.000, a receivable for insurance and vehicles for EUR 145.695 and VAT to receive for EUR 228.026.

Note 8—Prepayments and accrued income

As at December 31, 2011 prepayments and accrued income are mainly composed by prepaid fees.

Note 9—Accruals and deferred income

As at December 31, 2011 accruals and deferred income are mainly composed by invoices for an amount of EUR 9.165.397.

Note 10—Capital and reserves

The movement in the equity of the Group is as follows:

	Subscribed Capital	Share premium	Legal reserve	Consolidation reserve	Results for the period	Total 2011
In EUR						
As at August 1, 2011	**192.000**	**888.800**	**19.200**	**(20.968.564)**	**—**	**(19.868.564)**
EGM dated December 1, 2011 .	451.235	2.556.995	—	—	—	***3.008.230***
Loss for the period	—	—	—	—	*(42.652.088)*	***(42.652.088)***
As at December 31, 2001 . . .	**643.235**	**3.445.795**	**19.200**	**(20.968.564)**	**(42.652.088)**	**(59.512.422)**

Subscribed capital

At the end of the period, the subscribed capital amounts to EUR 643.235 and is represented by 643.235 shares with a nominal value of EUR 1 fully paid-up.

The Company has no authorized capital.

The movement for the period on the subscribed capital corresponds to an increase of EUR 451.235 following the decision taken by the Extraordinary General Meeting of Shareholders held on December 1, 2011. The capital was previously increased by EUR 31.000 following the decision taken by the Extraordinary General Meeting of Shareholders held on June 29, 2011.

Share premium and equivalent

At the end of the period, the share premium account amounts to EUR 3.445.795. The movement for the period corresponds to an increase of EUR 2.556.995 following the decision to increase the subscribed capital taken by the Extraordinary General Meeting of Shareholders held on December 1, 2011. The share premium and equivalent was previously increase of EUR 908.000 following the decision to increase the subscribed capital taken by the Extraordinary General Meeting of Shareholders held on June 29, 2011, out of which an amount of EUR 19.200 was allocated to the legal reserve of the Company.

Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed capital. This reserve may not be distributed.

Consolidation reserve

The consolidation reserve is composed by the results brought forward of the subsidiaries since their acquisition by the Group on June 30, 2011 until July 31, 2011 as well as the results brought forward of the mother-company since its incorporation on May 12, 2011 until July 31, 2011. The results brought forward included in the consolidation reserve have been adjusted for intercompany eliminations and the amortization of goodwill on consolidation for the period from June 30, 2011 to July 31, 2011.

Note 11—Provisions for liabilities and charges

Provisions for liabilities and charges for the period are made up as follows:

In EUR	Total 2011
Provision for pensions and similar obligations	**857.264**
Other provisions	**908.165**
Total	**1.765.429**

Other provisions are mainly composed by provisions for litigation regarding channel rights.

Note 12—Subordinated debts

As at December 31, 2011 the subordinated debts are as follows:

In EUR	Within one year	After one year and within five years	After more than five years	Total 2011
			In EUR	
Preferred Equity Certificates (PECs)	—	—	130.122.770	**130.122.770**
Accrued interest on Preferred Equity Certificates	—	—	7.350.555	**7.350.555**
Total Preferred Equity Certificates	**—**	**—**	**137.473.325**	**137.473.325**

On June 29, 2011, the Company has issued 108.131.000 Preferred Equity Certificate (the ''PECs'') amounting to EUR 108.131.000 and divided into 108.131.000 PECs with a nominal value of EUR 1.-. Each PEC bears a yield and the PECs shall have a maturity of 49 years.

On December 1, 2011, the Company has issued 21.991.770 Preferred Equity Certificate (the ''PECs'') amounting to EUR 21.991.770 and divided into 21.991.770 PECs with a nominal value of EUR 1.-. Each PEC bears a yield and the PECs shall have a maturity of 49 years.

The accrued interest for the period amounts to EUR 7.350.555 and the total amounts to EUR 137.473.324.

Note 13—Amounts owed to credit institutions

As at December 31, 2011 amounts owed to credit institutions are as follows:

In EUR	Within one year	After one year and within five years	After more than five years	Total 2011
			In EUR	
Amounts owed to credit institutions	4.000.000	—	240.000.000	**244.000.000**
Accrued interest on Loan from credit institutions	1.860.339	—	—	**1.860.339**
Total Amounts owed to credit institutions	**5.860.339**	**—**	**240.000.000**	**245.860.339**

On May 19, 2011 the Company entered into a senior secured bridge facility agreement amounting to EUR 260.000.000, bearing an interest of 8.53% and with a maturity date on May 19, 2018.

On December 2, 2011 the Sole Director of the Company has decided to reimburse the senior secured bridge facility. This facility has been refinanced as follows:

— EUR 150.000.000 in senior secured loan facilities comprising (i) a EUR 50.000.000 senior A term loan facility and EUR 90.000.000 senior B term loan facility, and (ii) a EUR 10.000.000 senior revolving credit facility that has been drawn down for EUR 4.000.000 at the end of the period;

Note 13—Amounts owed to credit institutions (Continued)

— EUR 100.000.000 mezzanine term loan facility.

Note 14—Trade creditors becoming due and payable within one year

As at December 31, 2011 trade creditors are mainly composed by invoices and invoices to be received from suppliers in the normal course of the main activity of the company.

Note 15—Other creditors

As at December 31, 2011 the other debts are mainly made up of wages and salaries as well as guarantees and deposits received from customers.

Note 16—Net turnover

The net turnover for the period is broken down by category of activity as follows:

Categories of activity	For the period from August 1, 2011 to December 31, 2011
In EUR	
Basic Television services	9.309.049
Premium Television services	2.992.418
Television & Video on demand	284.936
Internet & Data services	4.760.802
Voice over IP services	3.678.930
Connection fees	442.702
Maintenance	70
Infrastructure renting	3.621.374
Other services	2.340.136
Total	**27.430.417**

The net turnover for the period is broken down into geographical markets as follows:

Geographical markets	For the period from August 1, 2011 to December 31, 2011
In EUR	
Belgium	20.675.118
Luxembourg	6.755.299
Total	**27.430.417**

Note 17—Staff

The group has employed an average of 90 employees during the period.

Note 18—Other external charges

Other external charges for the financial period are broken down as follows:

In EUR	For the period from August 1, 2011 to December 31, 2011
Assistance, support and maintenance	894.760
Energy, water and fuel	93.021
Marketing and communication costs	1.088.603
Administrative and management fees	11.554.821
Other charges	1.792.176
Total	**15.423.381**

Note 19—Interest and financial charges/Other interest and financial income

Interest and financial charges as well as other interest and financial income for the period are broken down as follows:

In EUR	For the period from August 1, 2011 to December 31, 2011
Financial Charges	
— Interest on PECs	6.089.507
— Interest on loans granted by Credit Institutions	9.622.856
— Other financial charges	8.821
Total Financial charges	**15.721.184**
Financial Income	
— Other financial income	26.627
Total Financial income	**26.627**
Financial results	**(15.694.557)**

Note 20—Other operating income

As at December 31, 2011 the other operating income is mainly made up of fees reinvoiced to clients not returning their devices.

Note 21—Extraordinary charges and income

As at December 31, 2011 the extraordinary income is mainly composed of deal and transaction income for an amount of EUR 577.500.

Note 22—Taxation

The tax charge for the year is made up of income tax.

According to the principle of prudence, no deferred tax assets are recognised on loss carried forward as at December 31, 2011.

Note 23—Emoluments granted and commitments in respect of retirement pensions

As at 31 December 2011, there is no emolument granted to members of the administrative, managerial and or supervisory bodies in the capacity of the company.

Note 23—Emoluments granted and commitments in respect of retirement pensions (Continued)

There are neither obligations arising or entered into in respect of retirement pensions for the former members of those bodies of the company for the financial year.

There are nor amount of emoluments granted in respect of the financial year members of the administrative, managerial and supervisory bodies of the parent company by reason of their responsibilities in the parent company and its subsidiary undertakings, acting in that capacity and any commitments arising or contracted in respect of retirement pensions for former members of those bodies.

Note 24—Advances and loans granted

As at 31 December 2011, the company does not granted advances and loans to the members of the administrative, managerial bodies.

Note 25—Off balance sheets commitments

As at December 31, 2011 off balance sheets commitments include:

- future minimum lease payments amount to EUR 271.543 (Coditel Brabant S.P.R.L : EUR 148.509 and Coditel S.à r.l. : EUR 123.034);
- bank guarantees for an amounts of EUR 358.172 (Coditel Brabant S.P.R.L : EUR 261.044 and Coditel S.à r.l. : EUR 97.128);
- and a ranking pledge agreement dated December 2, 2011, all the registered PECs owned from time to time by Coditel Holding Lux S.à r.l. in the Company, and in particular:
    - the 108 131 000 issued on June 29, 2011 by the Company in registered form, numbered 1 to 108 131 000 (including), having a par value of EUR 1 each,
    - and the 21 991 770 PECs issued on December 2, 2011 by the Company in registered form, number 1 to 21 991 770 (including), having a par value of EUR 1 each, are pledged in favour of ING BANK N.V. as Pledgee, acting as security agent, as a first-ranking pledge. The PECs may not be disposed of in any way without the prior written consent of ING BANK N.V..

MANAGEMENT REPORT on the consolidate accounts
Coditel Holding SA
37 rue d'Anvers, L1130 Luxembourg B160938
TVA LU24815119

MANAGEMENT REPORT OF THE BOARD OF MANAGERS PRESENTED TO THE ANNUAL GENERAL MEETING OF THE PARTNERS

Ladies and Gentlemen,

As prescribed by the law and by the Company's articles of association, we have brought you together at the Annual General Meeting, to highlight our activities during the 5 months period ended December 31, 2011, and to submit the relevant annual accounts for your approval.

We would be happy to supply any further information regarding those documents and details required by current legislation within the legally stipulated limits.

Activity of the company

During the current accounting period, we have developed the activities of Coditel Belgium and Coditel Luxembourg in the field of cable networks.

The companies have continued the modernization of the networks: the fiber optic cables were brought closer to the individual customers, the bandwith and speeds were significantly increased. These works, as well as significant investments in network head end, allowed developing a pay TV service, a fixed line service offer, and improved internet traffic management.

The Company has 2 subsidiaries (Coditel Belgium and Coditel Luxembourg) and has no succursales and does not use any other financial instruments other than those mentioned in the annual accounts.

Results and Allocation

1. Approval of the annual accounts

We hereby submit for your approval of the annual accounts for the financial year ended 31 December 2011.

We remind you that the annual accounts are prepared in accordance with the accounting rules of Luxembourg.

The financial period has been closed with a loss of EUR 42 652 088.

2. Proposals for allocation of results

We propose to approve the annual accounts (balance sheet, profit and loss and annexes) as they are presented to you and which show a loss of EUR 42 652 088 and report this loss to the accumulated results.

Subsequent events

There are no important subsequent events to note since the end of the period December 31, 2011.

No circumstance to our knowledge has a material impact on the development of the Company.

The outlook is stable in our competitive environment.

We propose, after the reports presented to you by your Réviseur d'entreprises agréé, to adopt the resolutions to your vote.

We thank the members of our personnel for the work that they have performed.

Luxembourg, 6 June 2013

The Board of Directors

Deloitte Bedrijfsrevisoren /
Reviseurs d’Entreprises
Berkenlaan 8b
1831 Diegem
Belgium
Tel. + 32 2 800 20 00
Fax + 32 2 800 20 01
www.deloitte.be

Coditel Brabant SPRL

Statutory auditor’s report for the year ended 31 July 2011

The original text of this report is in French

Deloitte Bedrijfsrevisoren / Reviseurs d’Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d’une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Berkenlaan 8b
1831 Diegem
Belgium
Tel. + 32 2 800 20 00
Fax + 32 2 800 20 01
www.deloitte.be

Coditel Brabant SPRL

Statutory auditor's report for the year ended 31 July 2011 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Coditel Brabant SPRL for the period of 7 months ended 31 July 2011, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 140.858 (000) EUR and a loss for the year of 567 (000) EUR.

Management of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the ''Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren''. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, management and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 July 2011 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
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Member of Deloitte Touche Tohmatsu Limited

Additional comments

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of management.

Our responsibility is to include in our report the following additional comments which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles of association or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles of association.

Diegem, 1 October 2011

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by William Blomme

MANAGEMENT REPORT

Presented by the Board of Managers

Ladies and Gentlemen,

As prescribed by law and by the Company's articles of association, we hereby present you our management report on the fulfilment of our mandate during the year ending 31 July 2011.

1. Approval of the annual accounts

We hereby submit for your approval of the annual accounts for the financial year ended 31 July 2011.

2. Results—Allocation

The financial year has been closed with a loss of EUR 567.263,10.

3. Comments on the annual accounts

We noticed a decrease in the number of the subscribers of DTV during the current year. Internet subscribers grew until 45.415 subscribers. Concerning the phone activity, 43.592 subscribers have already subscribed to our services. These increases of subscribers contributed to the increase of the net turnover.

4. Technological developments and research

Coditel has continued its extensive program of modernization of the network: fiber optic scope is much closer to the final customer, the network bandwidth is increased up to 860 MHz and the return path is increased significantly. These works, as well as significant investments in network headend, allowed developing a pay TV service, a fixed line service offer, and improved internet traffic management.

5. No important events have occurred since the year end.

6. Social relationships

Our company applies the sectoral agreement norms. Committee for the prevention and protection work has continued, with a sustained attention to improve working conditions and accident prevention. The Board of Managers wishes to express appreciation to the member to the staff for their cooperation and dedication with which they discharged their duties.

7. Coditel has no subsidiaries and does not use financial instruments other than those listed.

8. Risk

The current economic climate and pressure on purchasing power may also slow sales of products offered by Coditel. Coditel is negotiating with representatives of certain TV channels and certain Copyrights and related rights companies; some negotiations have not been completed yet and could be at risk at the level of the Company. The regulation currently in force (IBPT, Vlaamse Regulator voor de Media) is also likely to evolve in the future which could have negative impacts on the Company

In addition, the Company is in discussions with certain municipalities under certain agreements. Some litigation with customers and suppliers may also have adverse impact on the Company. Some risks have been provided based on the best estimation made by the Board of Managers.

9. Justification of the continuity of accountancy rules Art 96 § 6

Taking account of the increase of the turnover for several years as well as the good prospects for the future, the Board decided to establish the annual accounts ending 31 July 2011 following to the going-concern principle.

We hereby ask you to grant full discharge to the managers as well as the auditors with respect to their mandate during the financial year ended July 31, 2011

Brussels, on 30 September 2011

Pascal Dormal Wim De Naeyer

XX. Accounting policies

In accordance with the existing legal provisions, the Board of Directors 2 April 1999 completed and coordinated the following accounting policies that were established during the meetings of the Board of 20 April 1978, 2 April 1979, 26 February 1985, 21 April 1986, 31 March 1988, 29 March 1991, 26 March 1993, 17 March 1995 and 17 October 1997:

Formation expenses (sec. I)

Costs related to a capital increase are expensed in the period in which they are incurred.

Tangible fixed assets (sec. III)

Tangible fixed assets are recognised as assets at their acquisition cost or at actual cost or contribution value.

1) As from 1993 till 1996, depreciations were based on the straight-line method.

A) For the division ''Tecnicobel''

- Intangible fixed assets are amortised on a straight-line basis at a rate of 20%.
- Equipment and office furniture are depreciated on a straight-line basis at a rate of 10%, except for office machines that are depreciated at 20%

B) For the headquarter ''Agglomération Bruxelloise''

Straight-line depreciation method is applied taking into account the own characteristics of television distribution business that operates under authorizations that are limited in time.

Exceptions to this general rule:

- Optical fiber network: straight-line depreciation at a rate of 5%
- Any monitoring equipment: straight-line depreciation at 5%, except for opto-electronic equipment: straight-line basis at 1/7th
- Vehicles of management: straight-line basis at 20%
- Buildings: depreciation on a double-declining balance method at a rate of 3% × 2 = 6%
- Material, laboratory equipment, computers, office machines: depreciation on a double-declining balance method at a rate of 20% × 2 = 40%

2) As from 1997 (for all sites)

Depreciation is applied as follows:

Fixed asset category	Method	Rate 1997	Rate 1998=>2005	Rate 2006
BUILDINGS (ADM. or OPERATING)	double-declining balance	3% × 2 = 6%	3% × 2 = 6%	3% × 2 = 6%
NETWORK HEAD EQUIPMENT				
• Land development	• double-declining balance	3% × 2 = 6%	3% × 2 = 6%	3% × 2 = 6%
• Masts and pylons	• straight-line	5%	5%	5%
• Antennas, electric network equipment, radio beam, satellite stations	• straight-line	10%	10%	10%
DISTRIBUTION NETWORK				
Cables	• straight-line	5%	10%	10%
Electronic equipments	• straight-line	10%	10%	10%
Connections	• straight-line	10%	10%	10%
Right of way	• straight-line	5%	5%	5%
Research costs	• straight-line	5%	5%	5%
Customer management software	• straight-line		10%	20%
MONITORING EQUIPMENT				
Opto-electronic equipment	• straight-line	16.67%	16.67%	16.67%
Other	• straight-line	5%	5%	5%
HIGH SPEED DATA (since 2000)				
Modem cables	• straight-line		20%	33.33%

Fixed asset category	Method	Rate 1997	Rate 1998=>2005	Rate 2006
Connections	• straight-line		33.33%	33.33%
PHONES				
EMTA modem cables	• straight-line			33.33%
Connections	• straight-line			33.33%
VOIP migration	• straight-line			33.33%
Digital receivers	• straight-line			33.33%
OPTICAL FIBERS				
FO cables, pending tubes & linked benefits	• straight-line	5%	10%	10%
Electronics	• straight-line	10%	10%	10%
INVESTMENT AND LAB EQUIPMENT	• straight-line	20%	20%	20%
VERTEX (DRAWING)	double-declining balance	20% × 2 = 40%	20% × 2 = 40%	20% × 2 = 40%
OFFICE FURNITURE AND EQUIPMENT (furniture, phone, fax, micro-computer hardware, miscellaneous software, office machinery, advertising)	• straight-line	20%	20%	20%
VEHICLES & ACCESSORIES				
• Utility vehicles	• double-declining balance	20% × 2 = 40%	20% × 2 = 40%	20% × 2 = 40%
• Other vehicles	• straight-line	20%	20%	20%
ACCOMODATIONS	• straight-line	20%	20%	11.11%

Historically, fixed production was allocated to the following segments: main lines, distribution lines, Internet connections, DTV connections and customer management software; and followed the depreciation rules of these segments.

In 2007, the company reclassified the produced fixed assets under ''Intangible fixed assets'' amortised on a straight-line basis over 3 years.

The impact of this decision was an increase of EUR 1,125,400.31 in depreciations for the year 2007.

Financial fixed assets (sec. IV)

1) Equity investments and other portfolio investments

At recognition, investments and shares are recognised as assets at their acquisition cost, contribution cost or subscription price, excluding ancillary costs and considering any amounts still to be released. These amounts are adjusted following the recommendations of the ''Commission des Normes Comptables'' (Accounting Standards Commission) regarding the recognition of subscription rights.

At the end of each reporting period, an individual measurement of each security is made to reflect as much as possible the situation, the profitability or the prospects of the related company.

For quoted securities, stock price will be retained if it is sufficiently representative.

For other securities, a valuation method is chosen, taking into account the nature and characteristics of the security. This method is based on values generally used for such measurements (net asset, profit, dividend...) or on the weighted average value of several of these valuations, potentially adjusted to reflect the impact of unrealised gains or losses.

The as such retained valuation method is applied consistently from period to period, unless a change in circumstances prohibits its further use. In this case, if this change has a significant impact, disclosure is made in the notes.

If this valuation reveals a prolonged impairment compared to the carrying amount, the investments will be subject to an impairment loss equal to the prolonged part of the impairment.

A reversal of impairment loss is made if a sustainable gain is observed on investments previously impaired.

The company's policy prohibits revaluation in excess of the acquisition cost, contribution cost or subscription price, notwithstanding the gains resulting from the valuation of certain investments.

2) Receivables

Receivables are recorded at their nominal amount.

If they are denominated in foreign currencies, receivables are recorded at their exchange value in EUROS at acquisition. At year end, they are measured based on closing rate of the period.

The principles for (reversals of) impairments are similar to those of investments and shares.

Receivables for more than a year and receivables for one year at most (sec. V and VII)

Receivables are recorded at their nominal amount.

An impairment loss is recognised if the estimate, at the balance sheet date, of the redemption value is below carrying amount.

Inventories and contracts in progress (sec. VI)

1) Inventories

Inventories are measured at the lower of the weighted average cost or net realisable value.

2) Contracts in progress

These orders are measured at actual cost.

Current investments (sec. VIII)

Investment securities are recognised as assets at their acquisition cost or subscription price, excluding ancillary costs.

At the balance sheet date, they are measured at their last stock price and subject to impairment if the estimated value is below carrying amount.

The principle in the section on ''Financial assets'' applies for the recognition of subscription rights.

Other financial investments are subject to impairment if the realisable amount at the balance sheet date is below carrying amount.

A reversal of impairment losses is recognised to the extent of its initial value if the realizable value exceeds the carrying amount.

Cash at bank and in hand (sec. IX)

Cash denominated in foreign currencies is adjusted to the closing rate of the period and differences are recognised in the income statement.

Amounts payable within one year and more than a year (sec. VIII and IX)

These debts are recognised at their nominal value.

Transitory accounts (sec. X assets and liabilities)

1) Deferred income (sec. X liabilities)

Subscribers pay in advance yearly, semi-annually or quarterly. As there might be overlapping subscriptions over successive periods, the part of deferred income will be proportional to the number of months of the following period.

2) Deferred charges (sec. X assets)

Municipal payments are calculated on the basis of 4% of revenue. Hence, ''deferred charges'' will be equal to 4% of ''deferred income''.

Rights and commitments

Off-balance sheet rights and commitments are mentioned by category in the notes, for their nominal amount in the contract or, if not available, for an estimated value; rights and commitments that might not be quantified are also disclosed in the notes.

Rights and commitments denominated in foreign currencies are recognised at the closing rate of the day and readjusted at the closing rate of the period at each balance sheet date.

ANNUAL ACCOUNTS IN EUROS (2 decimals)

Name: *Coditel Brabant*

Legal form: *Private company with limited liability*

Address: *Rue des Deux Eglises* Nr: *26* Box:

Postal code: *1000* Municipality: *Brussels*

Country: *Belgium*

Register of legal persons—commercial court: *Brussels*

Website*: *HTTP://WWW.NUMERICABLE.BE*

Company number *BE 0403.107.452*

DATE *22/12/2011* of deposit of the memorandum of association OR of the most recent document mentioning the date of publication of the memorandum of association and of the act amending the articles of association.

ANNUAL ACCOUNTS approved by the general meeting of *02/11/2011*

regarding the period from *01/01/2011* to *31/07/2011*

Preceding period from *01/01/2010* to *31/12/2010*

The amounts for the preceding period are / XXXXX** identical to the ones previously published.

COMPLETE LIST with name, surnames, profession, address (street, number, postal code and municipality) and position within the company, of the DIRECTORS, BUSINESS MANAGERS AND AUDITORS

PASCAL DORMAL	*RINGLAAN 69, 3080 Tervuren, Belgium*	*Manager* *20/10/2006 -*
WIM DE NAEYER	*JB DE KEYSERSTRAAT 87, 1970 Wezembeek-Oppem, Belgium*	*Manager* *14/10/2008 -*
DELOITTE BEDRIJFSREVISOREN BV *Nr.: BE 0429.053.863* *Membership nr.: B00025*	*BERKENLAAN 8/B, 1831 Diegem, Belgium*	*Auditor* *01/07/2010 - 30/06/2013*

Represented by:

WILLIAM BLOMME
Membership nr.: 01167

Are attached to these annual accounts:

Total number of pages deposited: *33* Numbers of sections of the standard form not deposited because they serve no useful purpose: *5.1, 5.2.3, 5.2.4, 5.3.4, 5.3.6, 5.4.2, 5.5.2, 5.13, 5.16, 5.17.2, 7, 8, 9*

Signature
(name and position)

Signature
(name and position)

* Optional information.

** Strike out what is not applicable.

DECLARATION REGARDING A COMPLIMENTARY REVIEW OR CORRECTION ASSIGNMENT

The managing board declares that no audit or correction assignment has been given to a person who was not authorised to do so by law, pursuant to art. 34 and 37 of the law of 22th April 1999 concerning accounting and tax professions.

The annual accounts **XXX** / **were not*** audited or corrected by an external accountant or by a company auditor who is not the statutory auditor.

If affirmative, mention hereafter: name, surnames, profession, address of each external accountant or company auditor and his membership number with his Institute as well as the nature of his assignment:

A. Bookkeeping of the enterprise**,

B. Preparing the annual accounts**,

C. Auditing the annual accounts and/or

D. Correcting the annual accounts.

If the tasks mentioned under A. or B. are executed by certified accountants or certified bookkeepers—tax specialists, you can mention hereafter: name, surnames, profession, address of each certified accountant or certified bookkeeper—tax specialist and the nature of his assignment.

Name, surnames, profession and address	Number	Nature of the assignment (A, B, C and/or D)

* Strike out what is not applicable.

** Optional information.

BALANCE SHEET AFTER APPROPRIATION

	Discl.	Codes	Period	Preceding period
ASSETS				
FIXED ASSETS		20/28	*127.474.904,90*	*168.538.556,33*
Formation expenses	5.1	20		
Intangible fixed assets	5.2	21	*1.486.273,54*	*1.479.500,39*
Tangible fixed assets	5.3	22/27	*19.076.545,96*	*19.776.826,54*
Land and buildings		22	*211.573,27*	*217.040,34*
Plant, machinery and equipment		23	*13.661.524,23*	*13.894.246,02*
Furniture and vehicles		24	*136.636,46*	*159.908,11*
Leasing and similar rights		25		
Other tangible fixed assets		26	*5.066.812,00*	*5.505.632,07*
Assets under construction and advance payments		27		
Financial fixed assets	5.4/5.5.1	28	*106.912.085,40*	*147.282.229,40*
Affiliated enterprises	5.14	280/1	*106.842.832,00*	*147.212.976,00*
Participating interests		280	*106.842.832,00*	*124.761.500,00*
Amounts receivable		281		*22.451.476,00*
Other enterprises linked by participating interests	5.14	282/3		
Participating interests		282		
Amounts receivable		283		
Other financial assets		284/8	*69.253,40*	*69.253,40*
Shares		284		
Amounts receivable and cash guarantees		285/8	*69.253,40*	*69.253,40*
CURRENT ASSETS		29/58	*13.383.508,54*	*24.747.737,62*
Amounts receivable after more than one year		29		
Trade debtors		290		
Other amounts receivable		291		
Stocks and contracts in progress		3	*436.740,11*	*206.795,59*
Stocks		30/36	*426.773,74*	*168.650,25*
Raw materials and consumables		30/31	*426.773,74*	*168.650,25*
Work in progress		32		
Finished goods		33		
Goods purchased for resale		34		
Immovable property intended for sale		35		
Advance payments		36		
Contracts in progress		37	*9.966,37*	*38.145,34*
Amounts receivable within one year		40/41	*9.862.509,36*	*22.342.958,69*
Trade debtors		40	*9.715.981,48*	*9.093.584,11*
Other amounts receivable		41	*146.527,88*	*13.249.374,58*
Current investments	5.5.1/5.6	50/53	*2.044.735,08*	*971.471,02*
Own shares		50		
Other investments		51/53	*2.044.735,08*	*971.471,02*
Cash at bank and in hand		54/58	*797.914,74*	*1.121.015,40*
Deferred charges and accrued income	5.6	490/1	*241.609,25*	*105.496,92*
TOTAL ASSETS		20/58	*140.858.413,44*	*193.286.293,95*

BALANCE SHEET AFTER APPROPRIATION (Continued)

	Discl.	Codes	Period	Preceding period
EQUITY AND LIABILITIES				
EQUITY (+)/(-)		10/15	689.620,65	26.889.230,44
Capital	5.7	10	4.445.009,77	600.000,00
Issued capital		100	4.445.009,77	600.000,00
Uncalled capital		101		
Share premium account		11		
Revaluation surpluses		12		
Reserves		13	193.197,29	5.431.635,11
Legal reserve		130	2.382,37	60.000,00
Reserves not available		131	3.764,92	94.819,27
In respect of own shares held		1310		
Other		1311	3.764,92	94.819,27
Untaxed reserves		132		565.967,42
Available reserves		133	187.050,00	4.710.848,42
Accumulated profits (losses) (+)/(-)		14	−3.948.586,41	20.857.595,33
Investment grants		15		
Advance to associates on the sharing out of the assets		19		
PROVISIONS AND DEFERRED TAXES		16	1.734.184,63	2.113.408,85
Provisions for liabilities and charges		160/5	1.700.161,40	1.822.502,31
Pensions and similar obligations		160	939.071,80	1.061.412,71
Taxation		161		
Major repairs and maintenance		162		
Other liabilities and charges	5.8	163/5	761.089,60	761.089,60
Deferred taxes		168	34.023,23	290.906,54
AMOUNTS PAYABLE		17/49	138.434.608,16	164.283.654,66
Amounts payable after more than one year	5.9	17	106.842.800,00	110.915.766,83
Financial debts		170/4	106.842.800,00	110.915.766,83
Subordinated loans		170		
Unsubordinated debentures		171		
Leasing and other similar obligations		172		
Credit institutions		173		100.030.717,13
Other loans		174	106.842.800,00	10.885.049,70
Trade debts		175		
Suppliers		1750		
Bills of exchange payable		1751		
Advances received on contracts in progress		176		
Other amounts payable		178/9		
Amounts payable within one year		42/48	25.208.257,35	46.267.276,90
Current portion of amounts payable after more than one year falling due within one year	5.9	42		
Financial debts		43	1.246.055,62	16.595.723,84
Credit institutions		430/8	31,14	12.063.535,00
Other loans		439	1.246.024,48	4.532.188,84
Trade debts		44	20.663.320,90	15.603.257,50
Suppliers		440/4	20.663.320,90	15.603.257,50
Bills of exchange payable		441		
Advances received on contracts in progress		46	3.600,00	3.600,00
Taxes, remuneration and social security	5.9	45	1.320.786,46	1.901.157,44
Taxes		450/3	850.521,30	1.259.210,55
Remuneration and social security		454/9	470.265,16	641.946,89
Other amounts payable		47/48	1.974.494,37	12.163.538,12
Accruals and deferred income	5.9	492/3	6.383.550,81	7.100.610,93
TOTAL LIABILITIES		10/49	140.858.413,44	193.286.293,95

INCOME STATEMENT

	Discl.	Codes	Period	Preceding period
Operating income		70/74	28.809.379,45	48.530.903,66
Turnover	5.10	70	27.628.412,23	46.413.724,34
Stocks of finished goods and work and contracts in progress: increase (decrease) (+)/(−)		71		
Own work capitalised		72	583.331,00	999.996,00
Other operating income	5.10	74	597.636,22	1.117.183,32
Operating charges (+)/(−)		60/64	17.744.690,11	33.418.185,37
Raw materials, consumables		60	2.405,67	34.801,12
Purchases		600/8	232.350,19	78.055,61
Stocks: decrease (increase) (+)/(−)		609	−229.944,52	−43.254,49
Services and other goods		61	10.448.655,08	18.890.821,76
Remuneration, social security costs and pensions (+)/(−)	5.10	62	2.406.752,06	4.061.554,79
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets		630	4.714.376,82	9.225.602,63
Amounts written off stocks, contracts in progress and trade debtors: Appropriations (write-backs) (+)/(−)		631/4	−126.086,47	330.761,68
Provisions for liabilities and charges: Appropriations (uses and write-backs) (+)/(−)	5.10	635/7	−122.340,91	−267.358,90
Other operating charges	5.10	640/8	420.927,86	1.142.002,29
Operating charges carried to assets as restructuring costs(−)		649		
Operating profit (loss) (+)/(−)		9901	11.064.689,34	15.112.718,29
Financial income		75	621.629,52	1.138.712,04
Income from financial fixed assets		750	592.382,49	1.115.546,19
Income from current assets		751	29.195,96	23.147,77
Other financial income	5.11	752/9	51,07	18,08
Financial charges (+)/(−)	5.11	65	11.525.086,73	8.247.133,62
Debt charges		650	4.430.169,57	6.009.002,41
Amounts written off current assets except stocks, contracts in progress and trade debtors: appropriations (write-backs) (+)/(−)		651		
Other financial charges (+)/(−)		652/9	7.094.917,16	2.238.131,21
Gain (loss) on ordinary activities before taxes (+)/(−)		9902	161.232,13	8.004.296,71

INCOME STATEMENT (Continued)

	Discl.	Codes	Period	Preceding period
Extraordinary income		76		*9.730.870,14*
Write-back of depreciation and of amounts written off intangible and tangible fixed assets		760		*380,77*
Write-back of amounts written down financial fixed assets		761		
Write-back of provisions for extraordinary liabilities and charges		762		
Capital gains on disposal of fixed assets		763		
Other extraordinary income	5.11	764/9		*9.730.489,37*
Extraordinary charges (+)/(−)		66	*763.080,91*	
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets		660		
Amounts written off financial fixed assets		661		
Provisions for extraordinary liabilities and charges:				
appropriations (uses) (+)/(−)		662		
Capital losses on disposal of fixed assets		663		
Other extraordinary charges	5.11	664/8	*763.080,91*	
Extraordinary charges carried to assets as restructuring costs (−)		669		
Gain (loss) for the period before taxes (+)/(−)		9903	*−601.848,78*	*17.735.166,85*
Transfer from deferred taxes		780		*94.008,00*
Transfer to deferred taxes		680		
Income taxes (+)/(−)	5.12	67/77	*−34.585,68*	*2.902.901,80*
Income taxes		670/3		*2.902.901,80*
Adjustment of income taxes and write-back of tax provisions		77	*34.585,68*	
Gain (loss) of the period (+)/(−)		9904	*−567.263,10*	*14.926.273,05*
Transfer from untaxed reserves		789		*182.485,00*
Transfer to untaxed reserves		689		
Gain (loss) of the period available for appropriation (+)/(−)		9905	*−567.263,10*	*15.108.758,05*

APPROPRIATION ACCOUNT

	Codes	Period	Preceding period
Profit (loss) to be appropriated (+)/(−)	9906	*20.290.332,23*	*20.857.595,33*
Gain (loss) of the period available for appropriation (+)/(−)	(9905)	*−567.263,10*	*15.108.758,05*
Profit (loss) brought forward (+)/(−)	14P	*20.857.595,33*	*5.748.837,28*
Withdrawals from capital and reserves	791/2		
from capital and share premium account	791		
from reserves	792		
Transfer to capital and reserves	691/2		
to capital and share premium account	691		
to legal reserve	6920		
to other reserves	6921		
Profit (loss) to be carried forward (+)/(−)	(14)	*−3.948.586,41*	*20.857.595,33*
Owners' contribution in respect of losses	794		
Profit to be distributed	694/6		
Dividends	694		
Directors' or managers' entitlements	695		
Other beneficiaries	696		

STATEMENT OF INTANGIBLE FIXED ASSETS

	Codes	Period	Preceding period
RESEARCH AND DEVELOPMENT COSTS			
Acquisition value at the end of the period	8051P	*xxxxxxxxxxxxxxx*	*7.752.192,02*
Movements during the period			
Acquisitions, including produced fixed assets	8021	*583.331,00*	
Sales and disposals	8031		
Transfers from one heading to another (+)/(−)	8041		
Acquisition value at the end of the period	8051	*8.335.523,02*	
Depreciations and amounts written down at the end of the period	8121P	*xxxxxxxxxxxxxxx*	*6.272.691,63*
Movements during the period			
Recorded	8071	*576.557,85*	
Written back	8081		
Acquisitions from third parties	8091		
Cancelled owing to sales and disposals	8101		
Transferred from one heading to another (+)/(−)	8111		
Depreciations and amounts written down at the end of the period	8121	*6.849.249,48*	
NET BOOK VALUE AT THE END OF THE PERIOD	210	*1.486.273,54*	

STATEMENT OF INTANGIBLE FIXED ASSETS (Continued)

	Codes	Period	Preceding period
CONCESSIONS, PATENTS, LICENCES, KNOW-HOW, BRANDS AND SIMILAR RIGHTS			
Acquisition value at the end of the period	8052P	*xxxxxxxxxxxxxxx*	*8.807,60*
Movements during the period			
Acquisitions, including produced fixed assets	8022		
Sales and disposals	8032		
Transfers from one heading to another (+)/(−)	8042		
Acquisition value at the end of the period	8052	*8.807,60*	
Depreciations and amounts written down at the end of the period	8122P	*xxxxxxxxxxxxxxx*	*8.807,60*
Movements during the period			
Recorded	8072		
Written back	8082		
Acquisitions from third parties	8092		
Cancelled owing to sales and disposals	8102		
Transferred from one heading to another (+)/(−)	8112		
Depreciations and amounts written down at the end of the period	8122	*8.807,60*	
NET BOOK VALUE AT THE END OF THE PERIOD	211		

STATEMENT OF TANGIBLE FIXED ASSETS

	Codes	Period	Preceding period
LAND AND BUILDINGS			
Acquisition value at the end of the period	8191P	*xxxxxxxxxxxxxxx*	*663.348,28*
Movements during the period			
Acquisitions, including produced fixed assets	8161		
Sales and disposals	8171		
Transfers from one heading to another (+)/(−)	8181		
Acquisition value at the end of the period	8191	*663.348,28*	
Revaluation surpluses at the end of the period	8251P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8211		
Acquisitions from third parties	8221		
Cancelled	8231		
Transferred from one heading to another (+)/(−)	8241		
Revaluation surpluses at the end of the period	8251		
Depreciations and amounts written down at the end of the period	8321P	*xxxxxxxxxxxxxxx*	*446.307,94*
Movements during the period			
Recorded	8271	*5.467,07*	
Written back	8281		
Acquisitions from third parties	8291		
Cancelled owing to sales and disposals	8301		
Transferred from one heading to another (+)/(−)	8311		
Depreciations and amounts written down at the end of the period	8321	*451.775,01*	
NET BOOK VALUE AT THE END OF THE PERIOD . . .	(22)	*211.573,27*	

STATEMENT OF TANGIBLE FIXED ASSETS (Continued)

	Codes	Period	Preceding period
PLANT, MACHINERY AND EQUIPMENT			
Acquisition value at the end of the period	8192P	*xxxxxxxxxxxxxxx*	*141.009.985,91*
Movements during the period			
Acquisitions, including produced fixed assets	8162	*1.933.129,11*	
Sales and disposals	8172	*9.000,00*	
Transfers from one heading to another (+)/(−)	8182		
Acquisition value at the end of the period	8192	*142.934.115,02*	
Revaluation surpluses at the end of the period	8252P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8212		
Acquisitions from third parties	8222		
Cancelled	8232		
Transferred from one heading to another (+)/(−) . . .	8242		
Revaluation surpluses at the end of the period	8252		
Depreciations and amounts written down at the end of the period	8322P	*xxxxxxxxxxxxxxx*	*127.115.739,89*
Movements during the period			
Recorded	8272	*2.165.850,90*	
Written back	8282		
Acquisitions from third parties	8292		
Cancelled owing to sales and disposals	8302	*9.000,00*	
Transferred from one heading to another (+)/(−) . . .	8312		
Depreciations and amounts written down at the end of the period	8322	*129.272.590,79*	
NET BOOK VALUE AT THE END OF THE PERIOD . . .	(23)	*13.661.524,23*	

STATEMENT OF TANGIBLE FIXED ASSETS (Continued)

	Codes	Period	Preceding period
FURNITURE AND VEHICLES			
Acquisition value at the end of the period	8193P	*xxxxxxxxxxxxxxx*	*1.381.083,03*
Movements during the period			
Acquisitions, including produced fixed assets	8163	*6.888,55*	
Sales and disposals	8173		
Transfers from one heading to another (+)/(−)	8183		
Acquisition value at the end of the period	8193	*1.387.971,58*	
Revaluation surpluses at the end of the period	8253P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8213		
Acquisitions from third parties	8223		
Cancelled	8233		
Transferred from one heading to another (+)/(−)	8243		
Revaluation surpluses at the end of the period	8253		
Depreciations and amounts written down at the end of the period	8323P	*xxxxxxxxxxxxxxx*	*1.221.174,92*
Movements during the period			
Recorded	8273	*30.160,20*	
Written back	8283		
Acquisitions from third parties	8293		
Cancelled owing to sales and disposals	8303		
Transferred from one heading to another (+)/(−)	8313		
Depreciations and amounts written down at the end of the period	8323	*1.251.335,12*	
NET BOOK VALUE AT THE END OF THE PERIOD	(24)	*136.636,46*	

STATEMENT OF TANGIBLE FIXED ASSETS (Continued)

	Codes	Period	Preceding period
OTHER TANGIBLE FIXED ASSETS			
Acquisition value at the end of the period	8195P	*xxxxxxxxxxxxxxx*	*21.244.243,96*
Movements during the period			
Acquisitions, including produced fixed assets	8165	*1.501.211,05*	
Sales and disposals	8175	*40.280,00*	
Transfers from one heading to another (+)/(−)	8185		
Acquisition value at the end of the period	8195	*22.705.175,01*	
Revaluation surpluses at the end of the period	8255P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8215		
Acquisitions from third parties	8225		
Cancelled	8235		
Transferred from one heading to another (+)/(−)	8245		
Revaluation surpluses at the end of the period	8255		
Depreciations and amounts written down at the end of the period	8325P	*xxxxxxxxxxxxxxx*	*15.738.611,89*
Movements during the period			
Recorded	8275	*1.936.340,80*	
Written back	8285		
Acquisitions from third parties	8295		
Cancelled owing to sales and disposals	8305	*36.589,68*	
Transferred from one heading to another (+)/(−)	8315		
Depreciations and amounts written down at the end of the period	8325	*17.638.363,01*	
NET BOOK VALUE AT THE END OF THE PERIOD	(26)	*5.066.812,00*	

STATEMENT OF FINANCIAL FIXED ASSETS

	Codes	Period	Preceding period
AFFILIATED ENTERPRISES—PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8391P	*xxxxxxxxxxxxxxx*	*124.761.500,00*
Movements during the period			
Acquisitions	8361	*106.842.832,00*	
Sales and disposals	8371		
Transfers from one heading to another (+)/(−) . . .	8381	*−124.761.500,00*	
Acquisition value at the end of the period	8391	*106.842.832,00*	
Revaluation surpluses at the end of the period . . .	8451P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8411		
Acquisitions from third parties	8421		
Cancelled	8431		
Transferred from one heading to another (+)/(−) . .	8441		
Revaluation surpluses at the end of the period . . .	8451		
Amounts written down at the end of the period . . .	8521P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8471		
Written back	8481		
Acquisitions from third parties	8491		
Cancelled owing to sales and disposals	8501		
Transferred from one heading to another (+)/(−) . .	8511		
Amounts written down at the end of the period . . .	8521		
Uncalled amounts at the end of the period	8551P	*xxxxxxxxxxxxxxx*	
Movements during the period (+)/(−)	8541		
Uncalled amounts at the end of the period	8551		
NET BOOK VALUE AT THE END OF THE PERIOD .	(280)	*106.842.832,00*	
AFFILIATED ENTERPRISES—AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD .	281P	*xxxxxxxxxxxxxxx*	*22.451.476,00*
Movements during the period			
Additions	8581		
Repayments	8591		
Amounts written down	8601		
Amounts written back	8611		
Exchange differences (+)/(−)	8621		
Other movements (+)/(−)	8631	*−22.451.476,00*	
NET BOOK VALUE AT THE END OF THE PERIOD .	(281)		
ACCUMULATED AMOUNTS WRITTEN OFF AMOUNTS RECEIVABLE AT END OF THE PERIOD	8651		

STATEMENT OF FINANCIAL FIXED ASSETS (Continued)

	Codes	Period	Preceding period
OTHER ENTERPRISES—PARTICIPATING INTERESTS AND SHARES			
Acquisition value at the end of the period	8393P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Acquisitions	8363		
Sales and disposals	8373		
Transfers from one heading to another (+)/(−) . . .	8383		
Acquisition value at the end of the period	8393		
Revaluation surpluses at the end of the period . . .	8453P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8413		
Acquisitions from third parties	8423		
Cancelled	8433		
Transferred from one heading to another (+)/(−) .	8443		
Revaluation surpluses at the end of the period . . .	8453		
Amounts written down at the end of the period . .	8523P	*xxxxxxxxxxxxxxx*	
Movements during the period			
Recorded	8473		
Written back	8483		
Acquisitions from third parties	8493		
Cancelled owing to sales and disposals	8503		
Transferred from one heading to another (+)/(−) .	8513		
Amounts written down at the end of the period . .	8523		
Uncalled amounts at the end of the period	8553P	*xxxxxxxxxxxxxxx*	
Movements during the period (+)/(−)	8543		
Uncalled amounts at the end of the period	8553		
NET BOOK VALUE AT THE END OF THE PERIOD .	(284)		
OTHERS ENTERPRISES—AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD .	285/8P	*xxxxxxxxxxxxxxx*	*69.253,40*
Movements during the period			
Additions	8583		
Repayments	8593		
Amounts written down	8603		
Amounts written back	8613		
Exchange differences (+)/(−)	8623		
Other movements (+)/(−)	8633		
NET BOOK VALUE AT THE END OF THE PERIOD .	(285/8)	*69.253,40*	
ACCUMULATED AMOUNTS WRITTEN OFF AMOUNTS RECEIVABLE AT END OF THE PERIOD	8653		

PARTICIPATING INTERESTS INFORMATION

PARTICIPATING INTERESTS AND SHARES

List the enterprises in which the enterprise holds a participating interest, (recorded in the heading 280 and 282 of assets) and the other enterprises in which the enterprise holds rights (recorded in the headings 284 and 51/53 of assets) for an amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for an enterprise governed by Belgian law, the COMPANY IDENTIFICATION NUMBER	Rights held by			Data extracted from the most recent annual accounts			
	directly		subsidiaries	Annual accounts as per	Currency code	Capital and reserve	Net result
	Number	%	%			(+) of (−) (in units)	
CODITEL SARL *Foreign company* *ROUTE D'ARLON 283, 8011 STRASSEN, Luxembourg*				*31/12/2010*	*EUR*	*15.069.368,00*	*−2.718.769,00*
REGISTERED SHARES	*0*	*100,0*	*0,0*				

OTHER INVESTMENTS AND DEPOSITS, ALLOCATION DEFERRED CHARGES AND ACCRUED INCOME

	Codes	Period	Preceding period
INVESTMENTS: OTHER INVESTMENTS AND DEPOSITS			
Shares	51		
Book value increased with the uncalled amount	8681		
Uncalled amount	8682		
Fixed income securities	52		
Fixed income securities issued by credit institutions	8684		
Fixed term accounts with credit institutions	53	*2.044.735,08*	*971.471,02*
With residual term or notice of withdrawal			
up to one month	8686	*2.044.735,08*	*971.471,02*
between one month and one year	8687		
over one year	8688		
Other investments not mentioned above	8689		

	Period
DEFERRED CHARGES AND ACCRUED INCOME	
Allocation of heading 490/1 of assets if the amount is significant	
PREPAID EXPENSES	*241.609,25*

STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

	Codes	Period	Preceding period
STATEMENT OF CAPITAL			
Social capital			
Issued capital at the end of the period	100P	*xxxxxxxxxxxxxxx*	*600.000,00*
Issued capital at the end of the period	(100)	*4.445.009,77*	

	Codes	Value	Number of shares
Changes during the period		*3.845.009,77*	*367.562*
Structure of the capital			
Different categories of shares		*4.445.009,77*	*1.367.562*
Registered shares	8702	*xxxxxxxxxxxxxx*	*1.367.562*
Shares to bearer and/or dematerialized	8703	*xxxxxxxxxxxxxx*	

	Codes	Uncalled amount	Capital called but not paid
Capital not paid			
Uncalled capital	(101)		*xxxxxxxxxxxxxx*
Called up capital, unpaid	8712	*xxxxxxxxxxxxxx*	
Shareholders having yet to pay up in full			

	Codes	Period
Own shares		
Held by the company itself		
Amount of capital held	8721	
Corresponding number of shares	8722	
Held by the subsidiaries		
Amount of capital held	8731	
Corresponding number of shares	8732	
Commitments to issue shares		
Owing to the exercise of conversion rights		
Amount of outstanding convertible loans	8740	
Amount of capital to be subscribed	8741	
Corresponding maximum number of shares to be issued	8742	
Owing to the exercise of subscription rights		
Number of outstanding subscription rights	8745	
Amount of capital to be subscribed	8746	
Corresponding maximum number of shares to be issued	8747	
Authorized capital not issued	8751	
Shares issued, non representing capital		
Distribution		
Number of shares	8761	
Number of voting rights attached thereto	8762	
Allocation by shareholder		
Number of shares held by the company itself	8771	
Number of shares held by its subsidiaries	8781	

STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE AT YEAR-END CLOSING DATE, AS IT APPEARS FROM THE STATEMENTS RECEIVED BY THE ENTERPRISE

CODITEL HOLDING PLC domiciled 37, rue d'Anvers (Luxembourg) owns Coditel Brabant LLC for 100%. Coditel Brabant LLC holds the same percentage in Coditel LLC domiciled 283, route d'Arlon 8011 Strassen (Luxembourg).

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Period
ANALYSIS OF THE HEADING 163/5 OF LIABILITIES IF THE AMOUNT IS SIGNIFICANT	
PROVISION DIGITAL CHANNELS	*761.090,00*

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME

	Codes	Period
BREAKDOWN OF AMOUNTS PAYABLE WITH AN ORIGINAL PERIOD TO MATURITY OF MORE THAN ONE YEAR, ACCORDING TO THEIR RESIDUAL TERM		
Current portion of amounts payable after more than one year falling due within one year		
Financial debts	8801	
Subordinated loans	8811	
Unsubordinated debentures	8821	
Leasing and other similar obligations	8831	
Credit institutions	8841	
Other loans	8851	
Trade debts	8861	
Suppliers	8871	
Bills of exchange payable	8881	
Advance payments received on contract in progress	8891	
Other amounts payable	8901	
Total current portion of amounts payable after more than one year falling due within one year	(42)	
Amounts payable with a remaining term of more than one but not more than five years		
Financial debts	8802	*106.842.800,00*
Subordinated loans	8812	
Unsubordinated debentures	8822	
Leasing and other similar obligations	8832	
Credit institutions	8842	
Other loans	8852	*106.842.800,00*
Trade debts	8862	
Suppliers	8872	
Bills of exchange payable	8882	
Advance payments received on contracts in progress	8892	
Other amounts payable	8902	
Total amounts payable with a remaining term of more than one but not more than five years	8912	*106.842.800,00*
Amounts payable with a remaining term of more than five years		
Financial debts	8803	
Subordinated loans	8813	
Unsubordinated debentures	8823	
Leasing and other similar obligations	8833	
Credit institutions	8843	
Other loans	8853	
Trade debts	8863	
Suppliers	8873	
Bills of exchange payable	8883	
Advance payments received on contracts in progress	8893	
Other amounts payable	8903	
Total amounts payable with a remaining term of more than five years	8913	

STATEMENT OF AMOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED INCOME (Continued)

	Codes	Period
GUARANTEED AMOUNTS PAYABLE *(included in headings 17 and 42/48 of the liabilities)*		
Amounts payable guaranteed by Belgian public authorities		
Financial debts	8921	
Subordinated loans	8931	
Unsubordinated debentures	8941	
Leasing and similar obligations	8951	
Credit institutions	8961	
Other loans	8971	
Trade debts	8981	
Suppliers	8991	
Bills of exchange payable	9001	
Advance payments received on contracts in progress	9011	
Remuneration and social security	9021	
Other amounts payable	9051	
Total amounts payable guaranteed by Belgian public authorities	9061	
Amounts payable guaranteed by real securities or irrevocably promised by the enterprise on its own assets		
Financial debts	8922	
Subordinated loans	8932	
Unsubordinated debentures	8942	
Leasing and similar obligations	8952	
Credit institutions	8962	
Other loans	8972	
Trade debts	8982	
Suppliers	8992	
Bills of exchange payable	9002	
Advance payments received on contracts in progress	9012	
Taxes, remuneration and social security	9022	
Taxes	9032	
Remuneration and social security	9042	
Other amounts payable	9052	
Total amounts payable guaranteed by real securities or irrevocably promised by the enterprise on its own assets	9062	
TAXES, REMUNERATION AND SOCIAL SECURITY		
Taxes *(heading 450/3 of the liabilities)*		
Outstanding tax debts	9072	
Accruing taxes payable	9073	*850.521,30*
Estimated taxes payable	450	
Remuneration and social security *(heading 454/9 of the liabilities)*		
Amounts due to the National Social Security Office	9076	
Other amounts payable in respect of remuneration and social security	9077	*470.265,16*

	Period
ACCRUALS AND DEFERRED INCOME	
Allocation of heading 492/3 of liabilities if the amount is significant	
DEFERRED PROCABLE INCOME	*5.599.012,96*
DEFERRED RENTAL AND OPTICAL FIBER INCOME	*508.109,22*
INSURANCES AND ROYALTIES PAYABLE	*276.428,63*

OPERATING RESULTS

	Codes	Period	Preceding period
OPERATING INCOME			
Net turnover			
Allocation by categories of activity			
Allocation into geographical markets			
Other operating income			
Operating subsidies and compensatory amounts received from public authorities	740		
OPERATING CHARGES			
Employees for whom the entreprise submitted a DIMONA declaration or who are recorded in the general personnel register			
Total number at the closing date	9086	66	64
Average number of employees calculated in full-time equivalents	9087	63,9	63,2
Number of actual worked hours	9088	65.924	109.207
Personnel costs			
Remuneration and direct social benefits	620	1.785.279,98	3.027.541,07
Employers' contribution for social security	621	478.776,10	806.260,84
Employers' premiums for extra statutory insurance	622	38.950,68	53.755,93
Other personnel costs (+)/(-)	623	103.745,30	173.655,25
Retirement and survivors' pensions	624		341,70
Provisions for pensions and other similar rights			
Appropriations (uses and write-backs) (+)/(-)	635	−122.340,91	−230.358,90
Amounts written off			
Stocks and contracts in progress			
Recorded	9110		
Written back	9111		
Trade debts			
Recorded	9112	201.276,00	702.405,23
Written back	9113	327.362,47	371.643,55
Provisions for liabilities and charges			
Additions	9115		
Uses and write-backs	9116	122.340,91	267.358,90
Other operating charges			
Taxes related to operation	640	28.579,98	44.164,90
Other costs	641/8	392.347,88	1.097.837,39
Hired temporary staff and personnel placed at the enterprise's disposal			
Total number at the closing date	9096		
Average number calculated in full-time equivalents	9097		1,0
Number of actual worked hours	9098		88
Costs to the enterprise	617		1.899,00

FINANCIAL AND EXTRAORDINARY RESULTS

	Codes	Period	Preceding period
FINANCIAL RESULTS			
Other financial income			
Subsidies granted by public authorities and recorded as income for the period			
Capital subsidies	9125		
Interest subsidies	9126		
Allocation of other financial income			
PAYMENT DIFFERENCE		*50,83*	*18,08*
Depreciation of loan issue expenses and reimbursement premiums	6501		
Capitalized Interests	6503		
Amounts written off current assets			
Recorded	6510		
Written back	6511		
Other financial charges			
Amount of the discount borne by the enterprise, as a result of negotiating amounts receivable	653		
Provisions of a financial nature			
Appropriations	6560		
Uses and write-backs	6561		
Allocation of other financial charges			
BANK CHARGES (+)/(-)		*978,16*	*676,21*
SWAP CHARGES (+)/(-)		*832.073,00*	*2.237.455,00*
DEAL COSTS (+)/(-)		*6.261.866,00*	*0,00*

	Period
EXTRAORDINARY RESULTS	
Allocation of other extraordinary income	
Allocation of other extraordinary charges	
REFINANCING COSTS	*763.080,91*

INCOME TAXES AND OTHER TAXES

	Codes	Period
INCOME TAXES		
Income taxes on the result of the period	9134	
Income taxes paid and withholding taxes due or paid	9135	
Excess of income tax prepayments and withholding taxes paid recorded under assets	9136	
Estimated additional taxes	9137	
Income taxes on the result of prior periods	9138	
Additional income taxes due or paid	9139	
Additional income taxes estimated or provided for	9140	
In so far as taxes of the period are materially affected by differences between the profit before taxes as stated in annual accounts and the estimated taxable profit		
DISALLOWED EXPENSES (+)/(-)		*110.833,33*
Impact of extraordinary results on the amount of the income taxes relating to the current period		
Status of deferred taxes		
Deferred taxes representing assets	9141	
Accumulated tax losses deductible from future taxable profits	9142	
Other deferred taxes representing assets		
Deferred taxes representing liabilities	9144	
Allocation of deferred taxes representing liabilities		

	Codes	Period	Preceding period
VALUE ADDED TAXES AND OTHER TAXES BORNE BY THIRD PARTIES			
Value added taxes charged			
To the enterprise (deductible)	9145	*4.188.424,41*	*5.071.605,78*
By the enterprise	9146	*7.478.589,66*	*10.388.570,52*
Amounts withheld on behalf of third party			
For payroll withholding taxes	9147	*516.821,20*	*871.616,01*
For withholding taxes on investment income	9148		

RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS

	Codes	Period	Preceding period
AFFILIATED ENTERPRISES			
Financial fixed assets	(280/1)	*106.842.832,00*	*147.212.976,00*
Participating interests	(280)	*106.842.832,00*	*124.761.500,00*
Subordinated amounts receivable	9271		
Other amounts receivable	9281		*22.451.476,00*
Amounts receivable from affiliated enterprises	9291		*13.147.244,28*
Over one year	9301		
Within one year	9311		*13.147.244,28*
Current investments	9321		
Shares	9331		
Amounts receivable	9341		
Amounts payable	9351	*106.842.800,00*	*25.426.799,31*
Over one year	9361	*106.842.800,00*	*10.885.049,70*
Within one year	9371		*14.541.749,61*
Personal and real guarantees			
Provided or irrevocably promised by the enterprise as security for debts or commitments of affiliated enterprises	9381		
Provided or irrevocably promised by affiliated enterprises as security for debts or commitments of the enterprise	9391		
Other significant financial commitments	9401		
Financial results			
Income from financial fixed assets	9421	*592.382,49*	*1.115.546,19*
Income from current assets	9431		
Other financial income	9441		
Debt charges	9461	*209.893,65*	*466.503,13*
Other financial charges	9471		
Disposal of fixed assets			
Capital gains obtained	9481		
Capital losses suffered	9491		
ENTERPRISES LINKED BY PARTICIPATING INTERESTS			
Financial fixed assets	(282/3)		
Participating interests	(282)		
Subordinated amounts receivable	9272		
Other amounts receivable	9282		
Amounts receivable	9292		
Over one year	9302		
Within one year	9312		
Amounts payable	9352		
Over one year	9362		
Within one year	9372		

	Period
TRANSACTIONS WITH ENTERPRISES LINKED BY PARTICIPATING INTERESTS OUT OF MARKET CONDITIONS	
Mention of these transactions if they are significant, including the amount of the transactions, the nature of the link, and all information about the transactions which should be necessary to get a better understanding of the situation of the company	
In the absence of legal criteria that allow to publish transactions with related parties which are not at arm's length, no transaction was published under 5.14	*0,00*
	0,00

FINANCIAL RELATIONSHIPS WITH

	Codes	Period
DIRECTORS, MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THESE PERSONS		
Amounts receivable from these persons	9500	
Conditions on amounts receivable		
Guarantees provided in their favour	9501	
Main conditions of these guarantees		
Other significant commitments undertaken in their favour	9502	
Main conditions of the other commitments		
Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person		
To directors and managers	9503	
To former directors and former managers	9504	
AUDITORS OR PEOPLE THEY ARE LINKED TO		
Auditor's fees	9505	*412.430,00*
Fees for exceptional services or special missions executed in the company by the auditor		
Other attestation missions	95061	
Tax consultancy	95062	
Other missions external to the audit	95063	
Fees for exceptional services or special missions executed in the company by people they are linked to		
Other attestation missions	95081	
Tax consultancy	95082	*14.338,00*
Other missions external to the audit	95083	*330.530,00*

Mentions related to article 133, paragraph 6 from the Companies Code

INFORMATION RELATING TO CONSOLIDATED ACCOUNTS

INFORMATION TO DISCLOSE BY EACH ENTERPRISE THAT IS SUBJECT TO COMPANY LAW ON THE CONSOLIDATED ACCOUNTS OF ENTERPRISES

The company neither prepares nor publishes consolidated financial statements and a relating annual report for one of the following reasons

The company itself is a subsidiary of an enterprise which does prepare and publish consolidated accounts in which annual accounts of the enterprise are included

If yes, justification of the compliance with all conditions for exemption set out in art. 113, par. 2 and 3 of Company Law

As article 113 of the Company Code prescribes, the consolidation exemption was voted by the general shareholders meeting of 02/11/2011 for the fiscal year ending 31/07/2011.

Name, full address of registered office and, for an enterprise governed by Belgian Law, the V. A. T. or national number of the parent company preparing and publishing the consolidated accounts required

CODITEL HOLDING S.A.
RUE D'ANVERS 37, , Luxembourg

SOCIAL BALANCE SHEET

Number of joint industrial committee: *14901 218*

STATEMENT OF THE PERSONS EMPLOYED

EMPLOYEES FOR WHOM THE ENTREPRISE SUBMITTED A DIMONA DECLARATION OR WHO ARE RECORDED IN THE GENERAL PERSONNEL REGISTER

During the current and preceding period	Codes	1. Full-time (period)	2. Part-time (period)	3. Total (T) or Total full-time equivalents (FTE) (period)	3P. Total (T) or Total full-time equivalents (FTE) (preceding period)
Average number of employees	100	*62,0*	*3,0*	*63,9 (FTE)*	*63,2 (FTE)*
Number of hours actually worked	101	*63.708*	*2.216*	*65.924 (T)*	*109.207 (T)*
Personnel costs	102	*2.342.332,06*	*64.420,00*	*2.406.752,06 (T)*	*4.061.213,09 (T)*
Advantages in addition to wages	103	*xxxxxxxxxxxxxxxx*	*xxxxxxxxxxxxxxxx*	*(T)*	*(T)*

At the closing date of the period	Codes	1. Full-time	2. Part-time	3. Total full-time equivalents
Number of employees	105	*62*	*4*	*63,9*
By nature of the employment contract				
Contract for an indefinite period	110	*61*	*4*	*62,9*
Contract for a definite period	111	*1*		*1,0*
Contract for the execution of a specifically assigned work	112			
Replacement contract	113			
According to gender and study level				
Men	120	*39*	*3*	*40,3*
primary education	1200	*6*		*6,0*
secondary education	1201	*15*	*1*	*15,7*
higher non-university education	1202	*13*	*1*	*13,1*
university education	1203	*5*	*1*	*5,5*
Women	121	*23*	*1*	*23,6*
primary education	1210	*4*		*4,0*
secondary education	1211	*10*		*10,0*
higher non-university education	1212	*6*	*1*	*6,6*
university education	1213	*3*		*3,0*
By professional category				
Management staff	130	*1*	*1*	*1,5*
Employees	134	*60*	*3*	*61,4*
Workers	132	*1*		*1,0*
Others	133			

HIRED TEMPORARY STAFF AND PERSONNEL PLACED AT THE ENTERPRISE'S DISPOSAL

During the period	Codes	1. Hired temporary staff	2. Persons placed at the enterprise's disposal
Average number of persons employed	150		
Number of hours actually worked	151		
Costs for the enterprise	152		

LIST OF PERSONNEL MOVEMENTS DURING THE PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total full-time equivalents
Number of employees for whom the entreprise submitted a DIMONA declaration or who have been recorded in the general personnel register during the financial year	205	*7*	*1*	*7,6*
By nature of employment contract				
Contract for an indefinite period	210	*6*	*1*	*6,6*
Contract for a definite period	211		*1*	*1,0*
Contract for the execution of a specifically assigned work	212			
Replacement contract	213			

DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total full-time equivalents
Number of employees whose contract-termination date has been entered in DIMONA declaration or in the general personnel register during the financial year	305	*6*		*6,0*
By nature of employment contract				
Contract for an indefinite period	310	*6*		*6,0*
Contract for a definite period	311			
Contract for the execution of a specifically assigned work	312			
Replacement contract	313			
By reason of termination of contract				
Retirement	340			
Early retirement	341			
Dismissal	342			
Other reason	343	*6*		*6,0*
the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350			

INFORMATION ON TRAINING PROVIDED TO EMPLOYEES DURING THE PERIOD

Total of initiatives of formal professional training at the expense of the employer	Codes	Men	Codes	Women
Number of employees involved	5801	*9*	*5811*	*5*
Number of actual training hours	5802	*464*	*5812*	*208*
Net costs for the enterprise	5803	*13.436,42*	*5813*	*8.950,45*
of which gross costs directly linked to training	58031	*13.436,42*	*58131*	*8.950,45*
of which fees paid and paiments to collective funds	58032		*58132*	
of which grants and other financial advantages received (to deduct)	58033		*58133*	
Total of initiatives of less formal or informal professional training at the expense of the employer				
Number of employees involved	5821		*5831*	
Number of actual training hours	5822		*5832*	
Net costs for the enterprise	5823		*5833*	
Total of initiatives of initial professional training at the expense of the employer				
Number of employees involved	5841		*5851*	
Number of actual training hours	5842		*5852*	
Net costs for the enterprise	5843		*5853*	

Coditel S.à r.l.

Société à responsabilité limitée

Annual accounts for the period from January 1, 2011 to July 31, 2011 and report of the réviseur d'entreprises agréé

283, route d'Arlon
L-8011 Strassen

RCS Luxembourg B 112.067
Subscribed capital : EUR 9.066.600

Coditel S.à r.l.
Balance Sheet as at
July 31, 2011
(Denominated in EUR)

	Notes	31/07/2011	31/12/2010
ASSETS			
Fixed assets	3		
Intangible assets			
Goodwill, to the extent that it was acquired for valuable consideration	4	62,081,073	64,049,284
		62,081,073	64,049,284
Tangible assets			
Land and buildings		1,470	1,803
Plant and machinery		6,075,614	6,493,294
Other fixtures and fittings, tools and equipment		12,292	12,107
		6,089,377	6,507,204
Financial assets	5		
Shares in affiliated undertakings		0	150,000
Loans to affiliated undertakings		0	7,280,717
Loans and claims held as fixed assets		1,650	1,650
		1,650	7,432,367
Total fixed assets		68,172,100	77,988,855
Current assets			
Stocks			
Raw materials and consumables		435,021	370,136
Debtors			
Trade debtors			
becoming due and payable after less than one year		2,329,294	1,968,651
Amounts owed by affiliated undertakings			
becoming due and payable after less than one year		0	4,630,764
Other debtors			
becoming due and payable after less than one year		3,952	4,051
		2,333,247	6,603,466
Cash at bank and in hand		1,177,474	1,562,924
Total current assets		3,945,742	8,536,525
Prepayments		898,199	22,105
TOTAL ASSETS		**73,016,040**	**86,547,484**

The accompanying notes form an integral part of these annual accounts.

Coditel S.à r.l.
Balance Sheet as at
July 31, 2011
(Denominated in EUR)

	Notes	31/07/2011	31/12/2010
LIABILITIES			
Capital and reserves			
Subscribed capital	6	9,066,600	1,031,000
Share premium and similar premiums	7	72,320,369	
Loss brought forward		(16,100,368)	(13,381,599)
Loss for the financial period/year		(834,083)	(2,718,769)
		64,452,518	(15,069,368)
Subordinated creditors	9	0	12,606,250
Provisions for taxation			
Provisions for taxation		1,196,250	751,520
Other provisions		154,155	66,401
		1,350,404	817,920
Non subordinated debts			
Amounts owed to credit institutions	10		
becoming due and payable after less than one year		0	6,897,000
becoming due and payable after more than one year		0	57,951,927
Trade creditors			
becoming due and payable after less than one year		3,299,396	1,866,445
Amounts owed to affiliated undertakings	11		
becoming due and payable after less than one year		420,362	17,087,376
Tax and social security			
Tax debts		130,096	211,752
Social security debts		37,396	38,252
Other creditors			
becoming due and payable after less than one year		557,723	712,139
		4,444,973	84,764,890
Deferred income		2,768,145	3,427,793
TOTAL LIABILITIES		**73,016,040**	**86,547,484**

The accompanying notes form an integral part of these annual accounts.

Coditel S.à r.l.

Profit and loss account for the period from January 1, 2011 to July 31, 2011

(Denominated in EUR)

	Notes	Period from 01/01/2011 to 31/07/2011	31/12/2010
CHARGES			
Raw materials and consumables		2,098,481	3,396,444
Other external charges		1,249,562	3,045,420
Staff costs	13		
Wages and salaries		706,023	1,255,734
Social security costs		87,831	103,447
Other social security costs		19,981	40,128
		813,835	1,399,309
Value adjustments			
on formation expenses and on tangible and intangible fixed assets	3	3,344,916	6,604,375
on elements of current assets		0	57,875
		3,344,916	6,662,251
Other operating charges		166,408	174,809
Value adjustments and fair value adjustments on financial fixed assets		50,000	0
Interests payable and similar charges			
concerning affiliated undertakings		254,555	356,430
other interest payable and similar charges		2,295,801	4,119,703
		2,550,356	4,476,133
Extraordinary charges	14	139,496	0
Tax on profit or loss		444,830	181,595
		10,857,882	**19,335,960**
INCOME			
Net turnover	12	9,421,866	15,525,736
Fixed assets under development		204,141	349,956
Value adjustments of elements of current assets		40,164	0
Other operating income		115,444	220,405
Interests and other financial income			
derived from affiliated undertakings		235,634	513,274
other interest receivable and similar income		6,549	7,821
Loss for the financial period/year		834,083	2,718,769
		10,857,882	**19,335,960**

The accompanying notes form an integral part of these annual accounts.

Coditel S.à r.l.
Notes to the annual accounts
as at 31 July 2011

Note 1—General

Coditel S.à r.l. (formerly ''Eno Luxembourg II S.A.'') (the 'Company') was incorporated on November 8, 2005 for an unlimited period of time and is organised under the laws of Luxembourg as a ''Société anonyme'' with its registered office at 8-10, rue Mathias Hardt, L-1717 Luxembourg. The Company is registered at the Trade register under number B 112.067.

The Board of Managers of the Company and the Board of Directors of CODITEL S.A. decided to merge the two entities. The merger became effective on December 19, 2005 with accounting effect on November 15, 2005 and involved absorbing CODITEL S.A. by the Company.

The Extraordinary General Meeting held on December 20, 2005 has resolved to:

- transform the Company by converting it from a public limited liability company («société anonyme») into a private limited liability company («société à responsabilité limitée»);
- amend the corporate object of the Company as follows ''the broadcast of radio, television and any other means of telecommunications'';
- change the name of the Company to CODITEL S.à r.l.;
- transfer the registered office to 283, route d'Arlon, L-8011 Strassen.

The Company forms part of the Coditel Holding S.A. Group since June 30, 2011. The annual accounts are included in the consolidated accounts of Coditel Holding. The consolidated accounts can be obtained at the registered office at 37, rue d'Anvers, L-1130 Luxembourg.

The Extraordinary General Meeting held on July 28, 2011 decided to change the accounting year end of the Company from December 31 to July 31. The accounting year of the Company starts on August 1 of each year and terminates on July 31 of the following year. The current accounting year ends on July 31, 2011.

The Extraordinary General Meeting held on December 28, 2011 decided to change the accounting year end of the Company from July 31 to December 31. The accounting year of the Company shall start on the January 1 of each year and shall terminate on December 31 of the same year. The current accounting year shall end on December 31, 2011.

Note 2—Summary of significant accounting policies

2.1 Basis of preparation

The annual accounts are prepared in accordance with the Luxembourg legal and regulatory requirements and according to generally accepted accounting principles applicable in Luxembourg.

The annual accounts have been prepared based on a going concern basis.

2.2 Foreign currency translation

The Company maintains its books and records in Euro (EUR) and the annual accounts are expressed in this currency.

The income and charges expressed in another currency other than EUR are converted at the exchange rate prevailing at the date of transaction.

The fixed assets other than the long-term loans classified as financial assets and expressed in currencies other than EUR are converted at the prevailing exchange rate applicable as at the year-end.

Only realised exchange gains and all exchange losses are taken into account in the profit and loss account.

Note 2—Summary of significant accounting policies (Continued)

2.3 Intangible fixed assets

Intangible assets are valued at acquisition cost including the expenses incidental thereto, reduced by cumulative depreciations and value adjustments. Depreciation is calculated on a straight-line basis over the estimated useful life of the related asset with professionnal requirements and fiscal law applicable. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Goodwill is amortised on a straight-line basis over a period ranging between ten and twenty-five years depending on the goodwill acquired.

Goodwill arising on acquisition of the network and the goodwill of Cotelux (Société Coopérative des Téléspectateurs de Luxembourg) is depreciated over a period of ten years taking account of the size and age of the network as well as the fact that this network had a customer with only analog TV. Cotelux did not operate services such as Internet, telephony and digital television.

The goodwill arising on the merger (see note 4) is depreciated over a period of twenty-five years taking into account the large size of the network and its condition, the number of Internet clients, digital, telephony and business to business.

2.4 Tangible assets

The tangible assets are valued at their acquisition cost including the expenses incidental thereto, reduced by cumulative depreciations and value adjustments. The value adjustments are calculated on a straight-line basis over their estimated useful lives and in accordance with the professional requirements and fiscal law applicable. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

The depreciation rates applied are as follows:

- Buildings: 3,5% - 10%;
- Plant and machinery: 10% - 33%;
- Other fixtures and fittings, tools and equipment: 10% - 20%.

Following recent technological advances, the decoders and modems have been depreciated on a straight line basis since 2006 over a period of three years.

Since 2010, the depreciation methods were changed for certain tangible assets to reflect the faster obsolescence. The microcomputer equipments and softwares changed from a 5 years depreciation to a 3 years and internet connections, telephone and CMTS (routers) from 10 years to 3 years.

2.5 Financial fixed assets

Financial assets are valued individually at the purchase price including the expenses incidental thereto. In case of a durable depreciation in value according to the opinion of the Board of Managers, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower of acquisition cost and market value.

2.6 Stocks

On their date of entry into the Company's assets, stocks are recorded at the acquisition cost. The acquisition price is calculated on the basis of weighted average price.

At the balance sheet date, stocks are valued at the lower of acquisition cost and market value.

Note 2—Summary of significant accounting policies (Continued)

2.7 Debtors

Debtors are recorded at their nominal value, if necessary reduced by the value adjustment, where their recovery is compromised.

2.8 Creditors

Debts are recorded at their nominal value or if necessary at their repayment value.

2.9 Deferred income

Licensing fee income is based on the invoices issued during the year for all types of subscriptions. Adjustments are made at the end of the year to catch for any income related to a subsequent financial year. These adjustement are booked under the caption ''Deferred income''.

Note 3—Tangible assets

The movements for the period/year are as follows:

	Goodwill	Land and building	Plant and Machinery	Tools and equipments	Debtors affiliated undertakings	Shares in affiliated undertakings
Cost acquisition						
Opening balance	82,697,129	101,284	44,087,983	408,925	7,280,717	150,000
Additions for the period			956,482	2,397		
Disposal for the Period					−7,280,717	−100,000
Closing balance	82,697,129	101,284	45,044,465	411,322	—	50,000
Value adjustment						
Opening balance	18,647,845	99,481	37,594,689	396,818		
Additions for the period	1,968,210	333	1,374,162	2,212		50,000
Disposal for the Period						
Closing balance	20,616,056	99,814	38,968,851	399,030	—	50,000
Net carrying amount at the end of the financial period	62,081,074	1,470	6,075,614	12,292	—	—

Note 4—Goodwill

The item ''Goodwill'' includes the difference (initial amount of EUR 81.360.454) between the fair value of CODITEL S.A.'s shares previously held by CODITEL S.à r.l and the fair value of assets and liabilities transferred to the Company upon the merger as described in Note 1. This goodwill resulting from the merger is amortised on a straight line basis over a period of twenty five years.

The ''Cotelux goodwill'', purchased in 2005 (initial amount EUR 1.336.675) is amortised on a straight line basis, over a period of ten years.

As at July 31, 2011, the goodwill arising from the merger net of depreciation amounted to EUR 61.557.542 and Cotelux goodwill amounted to EUR 523.531.

Note 5—Financial assets

As at June 30, 2011, Coditel S.à.r.l. sold its shares in the company CODITEL DEBT S.à r.l., with registered office at 283, route d'Arlon, L-8011 Strassen and registered to the Trade register under number B 130.807 for an amount of EUR 100.000.

Note 6—Subscribed capital

The Extraordinary General Meeting held on June 30, 2011 decided to increase the share capital of the Company by an amount of EUR 8.035.600 so as to raise it from its current amount of EUR 1.031.000 to EUR 9.066.600 by the issue of 321.424 new shares with a nominal value of EUR 25, subject to the payment of a global share premium of EUR 72.320.369.

As at July 31, 2011, the subscribed capital is represented by 362.664 shares with a nominal value of EUR 25.

The financial year 2010 has been closed with a loss of EUR 2.718.769 and has been carried forward.

Note 7—Share premium and similar premiums

The Extraordinary General Meeting held on June 30, 2011 decided to increase the share capital of the Company by an amount of EUR 8.035.600 so as to raise it from its current amount of EUR 1.031.000 to EUR 9.066.600 by the issue of 321.424 new shares with a nominal value of EUR 25, subject to the payment of a global share premium of EUR 72.320.369.

Note 8—Legal reserve

In accordance with Luxembourg company law, the Company is required to allocate annually to a legal reserve, not available for distribution, a minimum of 5% of the net profit. Such allocation ceases to be compulsory when the balance in the legal reserve reaches 10% of the issued share capital.

Note 9—Subordinated creditors

As at December 31, 2010, the subordinated debt are composed of 504.250 ''Interest Free Preferred Equity Certificates'' for an individual nominal value of EUR 25, corresponding to a total nominal value of EUR 12.606.250. These securities bear no interests and have a maturity date of thirty years (issued on December 16, 2005). At the maturity date, the Company may opt for a conversion of bonds into shares based on a 1:1 ratio. The Company may, under certain circumstances, repay all or part of the securities. These securities do not grant voting rights to the holder. They are subordinated to all debts incurred by the Company before or after their issuance.

On June 30, 2011, the Company reimbursed 504.250 Interest Free Preferred Equity Certificates for an amount of EUR 12.606.250 due to the change of shareholders.

Note 10—Amounts owed to credit institutions

Since June 2006, the company had a loan towards a credit institution for an initial amount of EUR 80.000.000 composed as follows:

- BNP recap A for EUR 36.300.000 (Euribor rate + 2,125%)—maturity date on June 30, 2013 ;
- BNP recap B for EUR 43.700.000 (Euribor rate + 2,5%)—maturity date on June 30, 2014.

As at December 31, 2010, the amount due is of EUR 64.848.927 and is composed as follows :

- BNP recap A for EUR 20.328.000 (Euribor rate + 1,875%) ;
- BNP capitalised interest amounts EUR 820.927 ;
- BNP recap B for EUR 43.700.000 (Euribor rate + 2,50%).

Repayment schedule:

– within one year :	EUR 6.897.000
– more that one year and within five years:	EUR 57.951.927
	EUR 64.848.927

The loans before June 30, 2011 have been reimbursed due to the change of shareholders and the capital increase.

Note 11—Amounts owed to affiliated undertakings

As at December 31, 2010, the amounts owed to affiliated undertakings consist mainly of a debt for a total amount of EUR 13.933.232 towards Ypso France S.A.S., of which EUR 13.871.670 are a current account bearing interest at rate EONIA + 2,396% becoming due and payable after less than one year.

As at July 31, 2011, the amounts owed to affiliated undertakings consist of a debts towards Coditel Holding S.A. non interest bearing and which are payable at the due date of the invoices.

Note 12—Net turnover

	Period from 01/01/2011 to 31/07/2011	31/12/2010
	EUR	EUR
Subscription charges	6,249,050	10,519,045
Infrastructure rent	2,208,539	3,534,904
Connections and reconnections	476,579	369,909
Work for third parties	259,142	449,299
Others	228,557	652,579
Total	9,421,866	15,525,736

Note 13—Staff costs

Average number of persons employed during the period/year:

	Period from 01/01/11 to 31/07/11	2010
Employees	20	23
Workers	3	4
	23	**27**

Note 14—Extraordinary charges

The extraordinary charges correspond to the costs for the refinancing of the Company due to the change of shareholders on June 30, 2011.

Note 15—Off balance sheet items

The company is engaged in several leasing contracts (vehicles). As at July 31, 2011, the amount still oustanding amounted to EUR 170.992 (2010 : EUR 243.226).

The Company has issued bank guarantees for an amount of EUR 97.128 (2010 : EUR 47.128) towards third parties.

Note 16—Contingent liabilities

The Company has been investigated by the Conseil de la Concurrence (''Competition Council''). Following the conclusions of the Competition Council at the end of 2010, the Company has endeavored to comply with their recommendations. General conditions of sale and certain prices were changed during the first quarter 2011. The Company is waiting for the final conclusions of the Competition Council. The Board of Managers do not think that it's necessary to provide for any provisions in relation to that inquiry.

Note 17—Subsequent events

On December 2, 2011, Coditel Holding S.A. has concluded a refinancing of EUR 244.000.000 instead of EUR 260.000.000.

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

To the Sole Partner of
Coditel S.à r.l.
283, route d'Arlon
L-8011 Strassen

Report on the annual accounts

Following our appointment by the General Meeting of the Sole Partner, we have audited the accompanying annual accounts of Coditel S.à r.l., which comprise the balance sheet as at July 31, 2011 and the profit and loss account for the period from January 1, 2011 to July 31, 2011, and a summary of significant accounting policies and other explanatory notes.

Board of Managers' responsibility for the annual accounts

The Board of Managers is responsible for the preparation and fair presentation of these annual accounts in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the *réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Coditel S.à r.l. as of July 31, 2011, and of the results of its operations for the period from January 1, 2011 to July 31, 2011 in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Managers, is consistent with the annual accounts.

For Deloitte S.A., ***Cabinet de révision agréé***
John Psaila, ***Réviseur d'entreprises agréé***
Partner

May 31, 2012

These annual accounts and the report of the *réviseur d'entreprises agréé* thereon are a free translation into English of the original version published in French. In case of any discrepancy, the original version of the annual accounts and the report of the *réviseur d'entreprises agréé* thereon in French will prevail.

CODITEL S.à r.l.
Société à responsabilité limitée

L-8011 Strassen
283, route d'Arlon

R.C.S. Luxembourg : B 112.067
Subscribed capital : EUR 9.066.600

(Hereinafter the ''Company'')

MANAGEMENT REPORT OF THE BOARD OF MANAGERS PRESENTED TO THE ANNUAL GENERAL MEETING OF THE PARTNERS

For the period from January 1, 2011 to July 31, 2011

Ladies and Gentlemen,

As prescribed by the law and by the Company's articles of association, we have brought you together at the Annual General Meeting, to highlight our activities during the financial period ending July 31, 2011, and to submit the relevant annual accounts for your approval.

We would be happy to supply any further information regarding those documents and details required by current legislation within the legally stipulated limits.

Operations and activity of the Company

During this period, we have continued operating activities developed by the acquired company, CODITEL S.A. in the field of cable networks.

28.035 subscribers benefit from the cable television service at the end of the period. The Company also carried on the implementation of the access service and broadband Internet and 8.299 subscribers are registered at the period end. 7.247 subscribers have subscribed to telephone services. The Company launched a program to digitalize the analog services delivered and it currently counts 20.985 subscribers opting for digital.

Coditel S.à r.l. has continued its program of modernization of the network: the optical fiber is brought closer to the final customer, the network bandwidth and the return path is increased significantly. These works, as well as investments in head end, helped to develop a pay offer of digital channels and offers of telephony services, and improving access offers internet hat flow.

Coditel S.à r.l. has no subsidiaries and does not use financial instruments other than those listed in the annual accounts.

Results—Allocation

1. *Examination of accounts and results*

   Of prime importance, we would like to state that the accounts in question have been drawn up according to the provisions and methods stipulated in Luxembourg.

   The financial period has closed with a loss of EUR 834.083.

2. *Proposals for allocation of results*

   We hereby ask for your approval of the annual accounts (balance sheet, profit and loss and annexe), as they are presented and which indicate a loss of EUR 834.083 and to carry forward the loss.

Subsequent events

No important events have occurred since the year end except the refinancing of Coditel Holding S.A. and the change of the accounting year end.

The Company has been investigated by the Conseil de la Concurrence (''Competition Council''). Following the conclusions of the Competition Council at the end of 2010, the Company has endeavored to comply with their recommendations. General conditions of sale and certain prices were changed during the first quarter 2011. The Company is waiting for the final conclusions of the Competition

Council. The Board of Managers do not think that it's necessary to provide for any provisions in relation to that inquiry.

No circumstances currently known are likely to have significant influence on the development of the Company.

The prospects of the Company are stable in a competitive environment.

Your Board invites you, after reading the reports submitted by our ''réviseur d'entreprises d'agréé'', to adopt the resolutions submitted for your approval.

We wish to express our sincere appreciation to our staff for their dedication and conscientiousness with which they have accomplished their tasks.

Luxembourg, May 31, 2012

THE BOARD OF MANAGERS

Pascal Dormal Manager	Wim de Naeyer Manager

outremertelecom

Groupe Outremer Telecom

A *Société anonyme* (limited company)
Share capital: €2,756,000
Registered office: 109, rue du Faubourg Saint-Honoré, 75008 Paris
Paris Trade and Companies Register 479 197 287

Consolidated financial statements composed of a balance sheet, a profit and loss and a cash flow statement

For the three month periods ended 31 March 2012 and 31 March 2013

Groupe Outremer Telecom

Consolidated financial statements composed of a balance sheet, a profit and loss and a cash flow statement

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GROUPE OUTREMER TELECOM

Société Anonyme

109 rue du Faubourg Saint-Honoré
75 008—PARIS

Statutory auditors' review report on the consolidated financial statements composed of a balance sheet, a profit & loss and a cash flow statements

For the three month periods ended March 31st 2012 and March 31st 2013

To the President of the Board,

As statutory joint auditors of GROUPE OUTREMER TELECOM and at your request in connection with the contemplated bond issuance by Altice VII, we have reviewed the accompanying consolidated financial statements composed of a balance sheet as at March 31st, 2012 and March 31st, 2013, a profit & loss and a cash flow statements for the three month periods ended March 31st, 2012 and March 31st, 2013 (thereafter ''the consolidated financial statements'').

These consolidated financial statements have been prepared under the responsibility of the President of the Board. Our role is to express a conclusion on these consolidated financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the consolidated financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements are not prepared, in all material respects, in accordance with the recognition and measurement principles disclosed in the notes to the consolidated financial statements.

Without qualifying our conclusion in respect of this matter, we draw your attention to:

- Note 1.1 to the consolidated financial statements which explains that the consolidated financial statements have been prepared in the context of the contemplated bond issuance mentioned above and, as such, do not represent a full set of financial statements with regard to International Financial Reporting Standards (IFRS) as adopted by the European Union. Under these accounting standards, only a complete set of financial statements comprising a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at period end, and of the results of its operations for the period then ended.
- Note 1.2 to the consolidated financial statements which presents the main closing options applied by Groupe Outremer Telecom.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

We accept no responsibility towards any third parties to whom this report is distributed or who obtain a copy by any other means.

This report is governed by French law. The Courts in France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, le 29 mai 2013

The Statutory Joint Auditors

CONSTANTIN ASSOCIES

Member of Deloitte Touche Tohmatsu Limited

Jean Paul Seguret

Groupe Outremer Telecom
Consolidated financial statements

1. CONSOLIDATED BALANCE SHEET

(in EUR 000)	Q1 2012	Q1 2013
ASSETS		
Cash and Cash equivalents	22 629	22 661
Restricted cash		
Trade reveivables	24 772	23 796
Other receivables	10 144	7 766
Inventories	3 740	4 053
Total current assets	**61 285**	**58 275**
Long-term trade receivables		
Investment in financial assets available for sale		
Other long-term receivables	1 377	1 661
Fixed assets	66 634	67 989
Intangible assets	30 820	35 461
Goodwill	41 634	41 634
Deferred taxes	832	397
Total non-current assets	**141 297**	**147 142**
TOTAL ASSETS	**202 583**	**205 417**
EQUITY AND LIABILITIES		
Credit from banking corporations and debentures	13 642	13 856
Trade payables	37 474	39 634
Other payables	28 255	30 605
Short-term loans from related parties		
Provision for legal claims	3 038	3 397
Total current liabilities	**82 409**	**87 492**
Loans from banking corporations and debentures	83 593	73 376
Long-term loans from related parties		
Other long-term liabilities	6 366	5 801
Advances received from the terminal equipment Installation		
Employee benefit liabilities	1 928	2 297
Deferred Taxes	979	714
Total non-current liabilities	**92 866**	**82 188**
Share capital	2 756	2 756
Share premium	30 724	30 724
Treasury shares		
Principal from share-based payment		
Capital reserve from available for sale financial asset		
Accumulated profit(loss)	−6 173	2 257
Total equity	**27 307**	**35 738**
TOTAL EQUITY AND LIABILITIES	**202 583**	**205 417**

2. CONSOLIDATED PROFIT & LOSS ACCOUNT

(in EUR 000)	Q1 2012	Q1 2013
Revenues	**47 507**	**48 096**
Other operating expenses	−20 072	−19 870
General and administrative expenses	−3 988	−4 287
Other sales and marketing expenses	−8 292	−7 068
EBITDA	**15 155**	**16 871**
Depreciation and amortization	−6 382	−5 323
Other(revenues)/expenses, net	−818	−1 303
Management fees		
Reorganization and extraordinary costs		
Operating profit	**7 955**	**10 244**
Financing income	27	138
Financing expenses	−1 221	−1 095
Profit before taxes on revenue	**6 761**	**9 287**
Taxes on revenue	−2 526	−3 448
Net income	**4 234**	**5 839**
Other comprehensive loss/income	**−190**	**201**
Total comprehensive income	**4 044**	**6 041**

3. CASH FLOW STATEMENT

(in EUR 000)	Q1 2012	Q1 2013
Net cash from current operations	**10 546**	**9 237**
Cash Flow from Investment Activities		
Purchase of newly consolidated subsidiary		
Acquisition of fixed assets and intangible assets	−3 268	−6 690
Proceeds from the disposal of fixed assets		9
Repayment (investment) in restricted cash, net	−58	−177
Net cash used in investment activities	**−3 326**	**−6 858**
Cash Flow from Financing Activities		
Short-term credit from financial institutions, net	167	45
Receipt of long-term loans from financial institutions, net of re-organization commissions and the issuance of bonds		
Receipt of loan from a related party		
Receipt of short-term loan from a related party		
Receipt of long-term loans from financial institutions		
Increase in other long-term liabilities		
Repayment of other long-term liabilities	−4 696	−6 203
Issuance of share capital		
Dividend for shareholders in the Company		
Purchase of treasury shares		
Net cash used in financing Activities	**−4 529**	**−6 158**
Increase (decrease) in cash and cash equivalents	**2 691**	**−3 779**
Balance of cash and cash equivalents at the beginning of the year	19 467	26 083
Balance of cash and cash equivalents at the end of the year	22 145	22 316

Notes to the Consolidated Financial Statements

The Consolidated Financial Statements of Groupe Outremer Telecom (''The Company'') are composed of a balance sheet, a profit & Loss and a cash flow statements for the three month periods ended March 31st, 2013 and March 31st, 2012. Groupe Outremer Telecom is owned at 99,06% by OMT Invest, which is owned by AXA LBO Fund IV, JMH SaRL, OMT Ocean 1 and OMT Ocean 2.

This Consolidated Financial Statements were prepared under the responsibility of the management of Groupe Outremer Telecom in the context of a contemplated bond issuance by Altice VII.

1. BASIS OF PREPARATION

1.1 Context of preparation

The Consolidated Financial Statements of Groupe Outremer Telecom have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Consolidated Financial Statements for the three month periods ended March 31st, 2013 and March 31st, 2012 have been prepared in the context of a contemplated bond issuance and, as such, do not represent a full set of financial statements with regard to International Financial Reporting Standards as adopted by the European Union. Under these accounting standards, only a complete set of financial statements together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at a period end, and of the results of its operations for the period then ended.

1.2 Main closing options

The Consolidated Financial Statements for the three months periods ended March 31st, 2013 and March 31st, 2012 have been prepared using a theoretical income tax rate and without updating the post-employment benefits.

A. *Notes*

(1) Property, plant and equipment

Tangible assets are measured at their acquisition cost or production cost, less any accumulated amortization and impairment. The cost of an asset produced by the Group for itself includes the cost of raw materials, direct labour, an initial estimate, if applicable, of discounted costs connected with the dismantling and removal of the fixed asset and the restoration of the site where it is situated.

Assets are depreciated over a period comprised between 2 and 20 years, depending on the nature of related assets:

Constructions	5 to 20 years
Telecommunications equipment	4 to 7 years
General facilities	4 to 10 years
Interconnection boxes	2 years
Office equipment and computer hardware	2 to 5 years
Transport equipment	2 to 4 years
Office furniture	3 to 10 years
IRU	15 years

(2) Revenue

Revenue is recognized once the service is provided to the customer. Promotions granted to customers in the form of free or discounted services, are recognized as a reduction of revenue and, when they are tied to a contractual commitment, the total contractual revenue is spread over the whole period of this contractual commitment.

When communication packages are associated with the sale of a mobile terminal, revenue from telephone packages is recognized over the duration of the corresponding service, and the cost of acquiring customers, mainly the cost of mobile phones sold and associated subsidies is recognized when incurred.

1. BASIS OF PREPARATION (Continued)

(3) Leases

Lease agreements transferring to the Group nearly all risks and benefits inherent in the ownership of an asset are treated as lease finance agreements. An asset leased under a lease finance agreement is recognised in an amount equal to its fair value or, if this is lower, the discounted value of the minimum lease payments less cumulative amortisation and depreciation.

It is amortised according to the straight-line period over the useful life or the term of the lease agreement, whichever is shortest.

(4) Receivables and Payables

Receivables and payables are measured at their nominal value.

An allowance for impairment is recorded for trade receivables if their present value falls below their book value. Present value is determined based on the age of the receivables and the collectability risk.

(5) Provisions for Contingencies and Liabilities

- **General Considerations**

The Company records provisions for contingent liabilities which are defined as liabilities with no precise maturity date or amount. A liability is something that has negative economic value for the Company, as it represents the Company's obligation to a third party which will probably or certainly lead to the use of resources for the benefit of the third party, and for which no consideration is expected.

- **Provision for Litigation**

Disputes are provisioned on a case-by-case basis to reflect the associated risk. The Company estimates risk based on the assessments of its advisors.

- **Provision for Retirement Benefits**

The Group recognises and values employee benefits according to IAS 19. Employee benefits include benefits subsequent to employment and long-term benefits.

The Group values pension commitments to benefits subsequent to employment and to long-term benefits by estimating the amount of future benefits acquired by employees in exchange for services provided during the current period and past periods. This amount is discounted to determine present value. The discount rate is equal to the rate, on the closing date, based upon first category obligations whose maturity date is close to the one of the Group's commitments. The calculations are made by an actuary using the projected credit units method.

(6) Distinction between Extraordinary Income and Ordinary Income

Expenses and income classified as extraordinary items represent significant transactions that the Company does not consider to be related to ordinary operations, particularly when they are non-recurring.

(7) EBITDA

EBITDA corresponds to Earnings Before Interests Taxes Depreciation and Amortization. However Depreciation on receivables is recorded under the EBITDA.

(8) Management fees

OMT Invest Management fees, amounting to €m 0.6 per year, are recorded as G&A expenses.

Groupe Outremer Telecom

A *Société anonyme* (limited company) with a Management board
Share capital: €2,756,000
Registered office: 109, rue du Faubourg Saint-Honoré, 75008 Paris
Paris Trade and Companies Register 479 197 287

Consolidated financial statements to 31.12.12

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Groupe Outremer Telecom

Consolidated accounts

1. CONSOLIDATED BALANCE SHEET

(in EUR 000)	Note	31.12.2012	31.12.2011
Goodwill	9.2	41,634	41,634
Other intangible fixed assets	9.3	34,060	30,742
Tangible fixed assets	9.4	68,302	69,306
Non-current financial assets	9.5	1,568	1,319
Deferred tax	9.6	3,229	2,728
Total non-current assets		**148,794**	**145,729**
Stocks	9.7	4,420	3,499
Accounts receivable from clients	9.8	28,265	24,387
Tax receivables		9	12
Other current assets	9.9	6,599	8,471
Cash & cash equivalents	9.10	27,696	21,232
Total current assets		**66,990**	**57,601**
TOTAL ASSETS		**215,784**	**203,330**

(in EUR 000)	Note	31.12.2012	31.12.2011
Capital	9.11	2,756	2,756
Share premium		30,724	30,724
Consolidated reserves		(22,872)	(30,660)
Conversion reserve		(52)	161
Profit for the financial year		18,729	19,803
Equity capital—Group share		**29,285**	**22,784**
Minority interests		413	377
Total equity capital		**29,698**	**23,161**
Loans and debts	9.12	77,730	87,155
Employee benefits	9.13	2,281	1,865
Provisions	9.14	4,622	4,115
Deferred tax	9.6	714	979
Other non-current liabilities	9.15	1,410	2,611
Total non-current liabilities		**86,758**	**96,724**
Loans and debts	9.12	16,810	15,256
Provisions	9.14	3,436	2,691
Due from suppliers and related accounts		48,276	37,795
Other current liabilities	9.16	25,317	25,042
Tax due	9.16	5,489	2,661
Total current liabilities		**99,328**	**83,445**
TOTAL LIABILITIES		**215,784**	**203,330**

Groupe Outremer Telecom

Consolidated accounts (Continued)

2. CONSOLIDATED PROFIT & LOSS ACCOUNT

(in EUR 000)	Note	31.12.2012	31.12.2011
Turnover		**195,127**	**194,318**
External purchases	9.18	(101,041)	(103,723)
Employee costs	9.19	(28,920)	(27,727)
Duties and taxes		(2,106)	(2,155)
Provisions		(1,719)	(1,734)
Other operating expenses	9.20	(2,992)	(2,874)
Other operating income	9.21	1,731	2,314
Operating profit before depreciation		**60,080**	**58,419**
Acquisition costs			(292)
Operating profit before depreciation		**60,080**	**58,127**
Depreciation and amortisation		(25,614)	(24,672)
Operating profit		**34,466**	**33,455**
Net borrowing costs	9.22	(3,976)	(3,458)
Other financial income	9.22	465	283
Change in fair value of derivative instruments on hybrid debts	9.22	(938)	(404)
Pre-tax profit		**30,017**	**29,876**
Income tax	9.23	(11,218)	(10,646)
Net profit for the financial year		**18,799**	**19,230**
Net profit—group share		18,729	19,803
Net profit—minority interests		70	35

3. OVERALL PROFIT

(in EUR 000)	Note	31.12. 2012	31.12. 2011
Net profit for the financial year		**18,799**	**19,838**
Other elements of the overall profit:			
Change in fair value of hedging derivatives		(447)	(470)
Conversion differences		(213)	120
Total		(660)	(350)
Total profit for the financial year		**18,139**	**19,488**
Of which Group share		18,069	19,453
Of which minority interest share		70	35

4. CHANGE IN EQUITY

(in EUR 000)	Capital	Share premium	Conversion reserves	Consolidated reserves
As at 31 December 2010 restated	**2,756**	**108,721**	**41**	**(35,162)**
Change in fair value of hedging derivatives	—	—		(470)
Conversion differences	—	—	120	—
Profits and losses shown directly under equity capital	—	—	120	(470)
Profit for the year	—	—	—	—
Total income and expenses shown	**—**	**—**	**120**	**(470)**
Payment in shares	—	—	—	561
Neutralisation of own shares held	—	—	—	(74)
Allocation of profit to reserves	—	—	—	13,966
Dividend distribution	—	(77,997)	—	(9,481)
As at 31 december 2011	**2,756**	**30,724**	**161**	**(30,660)**
As at 1st January 2012	**2,756**	**30,724**	**161**	**(30,660)**
Change in fair value of derivative instruments on hybrid debts	—	—	—	(447)
Conversion differences	—	—	(213)	—
Profits and losses shown directly under equity capital	**—**	**—**	**(213)**	**(447)**
Profit for the year	—	—	—	—
Total income and expenses shown	**—**	**—**	**(213)**	**(447)**
Payment in shares	—	—	—	276
Neutralisation of own shares held	—	—	—	—
Allocation of profit to reserves	—	—	—	19,803
Dividend distribution	—	—	—	(11,844)
As at 31 december 2012	**2,756**	**30,724**	**(52)**	**(22,872)**

Groupe Outremer Telecom

Consolidated accounts (Continued)

5. CASH FLOW STATEMENT

(in EUR 000)	Note	31.12.2012	31.12.2011
Total consolidated net profit		18,799	19,838
Elimination of effects of :			
—Unrealised profits (losses) on financial instruments		(36)	(758)
—Net allocations to depreciation and provisions		27,121	25,820
—Autres produits et charges		276	561
—Other income and expenses		402	299
—Tax income	9.23	11,218	10,646
—Interest charge		4,284	3,710
Effect of changes in stocks		(921)	(780)
Effect of change in customer receivables and other debtors		(1,935)	(62)
Effect of change in supplier debts and other creditors		7,039	(6,342)
Cash flows from operating activities before tax and interest		***66,247***	***52,932***
Tax paid		(9,152)	(978)
Interest paid		(3,955)	(3,101)
Cash flows from operating activities		**53,140**	**48,853**
Effects of changes in consolidation structure		—	—
Acquisitions of tangible and intangible fixed assets		(22,165)	(20,789)
Investment subsidies received		—	1,174
Change in loans and advances granted		(353)	(74)
Disposals of tangible and intangible fixed assets		22	30
Other investment operations		—	(102)
Cash flows from investment activities		**(22,497)**	**(19,761)**
Bond issues		203	89,252
Bond redemptions		(12,215)	(49,065)
Dividends paid to minority shareholders		(35)	(56)
Dividends paid to group shareholders		(11,844)	(87,478)
Sale (acquisition) of own shares (net)		—	(74)
Cash flows from financial activities		**(23,891)**	**(47,421)**
Total cas flows of the period		**6,752**	**(18,329)**
Opening cash position		19,467	37,751
Effect of changes in interest rates		(135)	45
Cash position at the end of the period	**9.10**	**26,083**	**19,467**

6. PRESENTATION OF THE GROUP

Founded in 1986, Groupe Outremer Telecom has become the leading alternative telecommunications operator in the French overseas regions (Martinique, Guadeloupe, Guiana, Reunion Island and Mayotte) capable of offering a complete range of integrated fixed and mobile telephony and internet access services for consumers and businesses alike.

Groupe Outremer Telecom has built up an independent telecommunications network under its main brand, Only.

The Group plans to enhance the convergence of its services, to expand its business clientele and to continue providing innovative and competitive services.

7. HIGHLIGHTS

7.1 Change in SMS call termination rates

Pursuant to Decision No. 2010-0892 of the Autorité de régulation des communications électroniques et des postes, SMS call termination rates are as follows in 2012:

€cts ex-VAT	January 2012	July 2012
Operators in Antilles and Guyana	2.0	2.0
Operators on Reunion Island and Mayotte	2.0	1.0

7.2 Change in mobile voice call termination rates

Pursuant to Decision No. 2010-1149 of the Autorité de régulation des communications électroniques et des postes, overseas mobile telephone operators modified their mobile voice call termination rates on 1 January 2012.

2012 (cts d'euro/mm)		
Antilles Guyana	Orange Caraïbe	2.5
	Digicel	2.5
	Outremer Telecom	2.8
Indian Ocean	SRR	2.5
	Orange Réunion	2.8
	Outremer Telecom	2.8

7.3 Aggressive new offers

Management has made many upgrades in the group's offers during the year.

In the first quarter, we began revamping the range of Mobile packages with the gradual replacement of Trio packages by modular NEXT packages from €9.99 €39.99 with a 24-months contract.

This new range was followed in the second quarter with the launch, for the first time in the DOM (French overseas administrative districts) of offers including unlimited 24/7 voice and SMS with the Next+ packages from €39.99 to €59.99 with a 24-months contract.

After 3 years of marketing the TRACE brand in the segment of young people, the Group has decided to discontinue this brand and to launch in the second quarter the ON by Only brand, which is breathing new life into this market segment.

In response to popular demand and in order to reduce simultaneously the price and marketing cost of its packages, the Group has rolled out packages ''without mobile phone'' with a monthly discount of €2 to €10; these packages come without discount on the terminal.

In the second quarter, the range of Internet packages was also overhauled with the launch of an entry-level range of €19.90 (plus a fixed subscription of €10) and 2 packages which, like the Next+ packages

7. HIGHLIGHTS (Continued)

and also for the first time in the DOM, includes unlimited 24/7 calls to many destinations including local mobile phones.

Lastly, in addition to these many changes for private customers, the Group is reviewing its business offers, beginning with the launch of the NEXT+ PRO offer towards the middle of May.

The overhaul of the Group's offers and the success of the unlimited packages has boosted growth of the subscriber base, especially in market segments with high value addition. However, still high call termination rates limited the impact of this growth on the Group's gross earnings in 2012.

7.4 Competition Authority fines SRR for €2 million

In June 2009, our Company, together with Orange Réunion, applied to the Competition Authority against SRR for anti-competitive practices. In September 2009, the Competition Authority ordered protection measures. Despite which SRR continued its practices.

The practice for which SRR is criticised is the application, for almost all its offers, of a distinction between the rates of calls for its own network and for those of other operators. This pricing strategy makes calls between SRR subscribers attractive (club effect) and degrades the image of its competitors

In a decision pronounced on 24 January 2012, the Competition Authority, holding that SRR had deliberately ignored the injunction in order to maintain its market position, ordered SRR to pay a fine of €2 million.

The case is not yet closed and continues on the merits. The Competition Authority may order another fine in the months ahead to sanction the impact of SRR's anti-competitive practices on the economy and consumers.

7.5 Procedures launched by ARCEP against holders of WIMAX/BLR licences

On 20 July 2011, ARCEP informed all operators with BLR/Wimax authorisations that it planned to launch formal investigation procedures to verify compliance of BLR/Wimax licence holders with their obligations.

On 22 December 2011, ARCEP gave the Group's companies, WLL Antilles-Guyane and WLL Réunion, an official notice that their BLR networks are only partly deployed in the three administrative districts (départements) of Martinique, Guadeloupe and Reunion Island and ordering them to complete the coverage of their networks in two phases:

Before 31 July 2012 for Martinique
Before 31 January 2013 for Guadeloupe and Reunion Island.

Deadline of July 2012

On 17 September 2012, ARCEP checked compliance with the July deadline in the form of a questionnaire on technical and commercial deployment in the administrative district of Martinique.

The Authority confirmed that additional WIMAX high points had been deployed in Martinique, enabling WLL AG to comply with its coverage commitments on 31 July 2012.

Deadline of January 2013

The Group has also deployed new WIMAX transmitters in Guadeloupe and Reunion to achieve the objectives stipulated in the specifications.

ARCEP has not yet announced the date on which the deadline of 31 January 2013 will be checked but as current coverage satisfies the obligations in each administrative district, WLL AG and WLLR are in compliance with their undertakings in all administrative districts.

8. MAIN ACCOUNTING METHODS

8.1 Declaration of conformity

Pursuant to European Regulation 1606/2002 of 19 July 2002 on the international IAS-IFRS accounting standards, the consolidated financial statements of the Group published for the financial year ended 31.12.12 were prepared according to the international accounting standards applicable on 31.12.12 as approved by the European Union.

The financial statements are presented in thousands of euros and were approved by the Board of Directors during the Board meeting of 27.03.13.

- **Standards, interpretations and amendments in standards whose application became compulsory on 1 January 2012**

The accounting principles used to prepare the annual consolidated financial statements comply with the IFRS standards and interpretations as adopted by European Union on 31 December 2012, which are available at the following website:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting standards used for the annual consolidated financial statements to 31.12.12 were the same as those used to prepare the annual consolidated financial statements to 31.12.11, as set out in the consolidated financial statements published on this date, except the following standards, whose application is compulsory from 1 January 2012:

- Amendments to IFRS 7 ''Financial instruments: disclosures'' as regards transfers of financial assets;
- Amendments to IAS 12 ''Recovery of underlying assets''.

These amendments and interpretations did not affect the Group's accounts on 31.12.12.

- **Standards, interpretations and amendments of standards already published by the IASB and endorsed by the European Union but not yet mandatory on 31.12.12. The Group did not apply these standards and interpretations optionally in advance.**
    - Amendements to IAS1
    - Amendments to IAS 19 ''Employee benefits'' under which the Group will recognise actuarial differences and other items under comprehensive income;
    - Amendments to IFRS 7 ''Disclosures: offsetting financial assets and financial liabilities'';
    - Amendments to IAS 32 ''Offsetting financial assets and financial liabilities'';
    - IFRIC 20 ''Stripping costs in the production phase of a surface mine'';
    - IFRS 10 ''Consolidated financial statements'';
    - IFRS 11 ''Partnership'';
    - IFRS 12 ''Disclosure of interests in other entities'';
    - IAS 28 revised ''Investments in associates and joint ventures'';
    - IFRS 13 ''Fair value measurement'';
    - Amendments to IFRS 1 ''Presentation of financial statements'' as regards severe hyperinflation and removal of fixed dates for first-time adopters.

The impact on the financial statements of texts published by the IASB on 31.12.12 but not yet compulsory is being analysed. The Group does not expect a significant impact upon the accounts.

The Group has inter alia valued the impact of IAS 19 Amendments on 1 January 2013 and determined that it reduces equity by no more than €195,000.

8. MAIN ACCOUNTING METHODS (Continued)

- **Standards, interpretations and amendments already published by the IASB but not yet endorsed by the European Union**
  - IFRS 9 Financial Instruments (phase 1: classification and valuation of financial assets) Amendment, and complement—Fair value option for financial liabilities;
  - Amendments to IFRS 10, IFRS 11 and IFRS 12 ‘‘First-time adoption’’;
  - Amendments to IFRS 1 ‘‘Public subsidies’’ (when applicable to the entity);
  - Annual improvements (2009-2011 cycle).

The impact on the financial statements of texts published by the IASB on 31.12.12 but not yet in force in the European Union is being analysed. The Group does not expect a significant impact upon the accounts.

8.2 Options adopted by the Group pursuant to IFRS 1

The Group did not adopt any of the exemptions offered by IFRS 1. In particular, the standard on business combinations, IFRS 3, was applied to all acquisitions prior to 1 January 2005.

As Groupe Outremer Telecom SA (formerly Fintel SAS) was created in October 2004, the acquisition of Outremer Telecom on 23 December 2004 was restated in accordance with IFRS 3 because of the importance of this transaction for the company.

8.3 Preparation principles and methods

The Group’s consolidated financial statements for the financial year ended 31 December 2012 include Groupe Outremer Telecom SA and its subsidiaries (together referred to as the ‘‘Group’’) and the Group’s share in affiliates and companies under joint control.

They are based upon historic cost except the following assets and liabilities, which are valued at fair value: derivatives, financial instruments held for trading purposes, financial instruments classified as available for sale.

Preparation of the financial statements according to IFRS rules requires management to exercise judgment and to make estimates and assumptions which have an impact on application of the accounting methods and on the value of assets and liabilities, income and charges. The underlying estimates and assumptions reflect past experience and other factors considered reasonable under the circumstances. They form the basis for the judgment required to determine the book value of assets and liabilities that cannot be obtained directly from other sources. Real values may differ from estimated values.

The underlying estimates and assumptions are continually reviewed. The impact of a change in accounting estimates is recognised during the period of change when it affects only that period and during the period of change and subsequent period if it also affects the latter.

Estimates and assumptions are notably sensitive to impairment tests for non-current assets and provisions, in particular for dismantlement and retirement allowances, which are primarily based upon income and cash flow estimates.

The accounting methods explained below have been applied at all times to all periods presented in the consolidated financial statements.

The accounting methods have been applied uniformly by the Group’s entities.

8. MAIN ACCOUNTING METHODS (Continued)

The following companies are included in the consolidation structure:

	% interest at 31 December 2012	% interest at 31 December 2011	Country	Currency
Companies consolidated by full integration method				
Groupe Outremer Telecom SA	Parent company	Parent company	France	EUR
City Call Ltd	100.00%	100.00%	Mauritius	MUR
Colibri SNC	100.00%	100.00%	France	EUR
Infotel OI SARL	51.00%	51.00%	France	EUR
Outremer Telecom Ltee	100.00%	100.00%	Mauritius	MUR
Outremer Telecom SAS	100.00%	100.00%	France	EUR
Outremer Telecom Océan Indien SAS (ex. Telcom Réunion EURL)	100.00%	100.00%	France	EUR
Telecom Reunion SNC	0.00%	100.00%	France	EUR
Teledom 2004 SNC	100.00%	100.00%	France	EUR
Telecom Caraïbes SNC	100.00%	100.00%	France	EUR
Rezo SARL	100.00%	100.00%	France	EUR
OPS	100.00%	0.00%	France	EUR
WLL Antilles-Guyane	100.00%	100.00%	France	EUR
WLL Réunion SAS	100.00%	100.00%	France	EUR
Outremer Communication SNC	100.00%	100.00%	France	EUR
Outremer Communication 2 SNC	100.00%	100.00%	France	EUR

The companies are consolidated upon the basis of their financial statements, closed on 31.12.12, except Teledom 2004, which ends its year on 30 September, for which an interim statement was prepared on 31.12.12.

The Group holds a stake in the capital of certain companies in respect of which it has a firm agreement to buy, free of charge, all shares after a period of five years. These companies were set up under a legal tax exemption mechanism giving the Group indirectly the benefit of subsidies for the capital expenditure in new assets operated for five years by these companies. Les sociétés concernées sont : Teledom 2004, Telecom Caraïbes, SNC Colibri, Outremer Communication 1, Outremer Communication 2, Sarl Rezo, et Telecom Reunion arrivée à son terme en 2012.

Consequently, the Group controls these companies, which are fully consolidated. Owing to the firm agreement to buy the shares, free of charge, no minority interest is recognised. The economic advantage of the subsidy is recognised under unearned revenue and is taken to profit for the period during which the fixed assets are subsidised under the tax exemption mechanism. This income is shown under other operating income.

8.4 CONSOLIDATION PRINCIPLES

8.4.1 Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. when the Group has the power to direct the entity's financial and operational policies directly or indirectly in order to obtain the benefit of its activities.

In determining control, the Group factors in potential voting rights, including any which can be currently exercised and any which would be the result of conversion.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control starts until the date on which control ceases.

8. MAIN ACCOUNTING METHODS (Continued)

8.4.2 Transactions eliminated in the consolidated financial statements

Asset and liability balances, unrealised losses and gains, income and charges resulting from intragroup transactions are eliminated during preparation of the consolidated financial statements.

8.5 Foreign currency

8.5.1 Transactions in foreign currency

Transactions in foreign currency are recognised at the exchange rate applicable on the transaction date.

Monetary assets and liabilities denominated in foreign currency on the cutoff date are converted into euros at the exchange rate applicable on this date. Unrealised exchange gains and losses are recognised under income or charges. Non-monetary assets and liabilities denominated in foreign currency valued at historic cost are converted at the exchange rate applicable on the transaction date. Non-monetary assets and liabilities denominated in foreign currency valued at fair value are converted at the exchange rate applicable on the date when the fair value was determined.

8.5.2 Financial statements of activities in foreign countries

The assets and liabilities of activities in foreign countries, including goodwill and the fair value adjustments resulting from consolidation are converted into euros at the exchange rate applicable on the cutoff date. The income and charges of a foreign activity are converted into euros at rates approaching the exchange rates applicable on the transaction dates. Unrealised exchange gains and losses resulting from conversion are recognised under conversion reserves, separately from equity.

The conversion rates used for the Mauritius rupee were as follows:

• Closing rate:	0.024813
• Average rate:	0.025766
• Opening rate:	0.026283

8.6 Intangible fixed assets

8.6.1 Goodwill

All business combinations are recognised according to the acquisition method.

Goodwill reflects the acquisition of subsidiaries and, since 1 January 2010, the effective date of IFRS 3R, the difference between the acquisition cost, including price adjustments and fair value of identifiable assets, liabilities and contingent liabilities acquired on the effective take-over date.

Whenever take-over involves an interest of less than 100%, the fraction of interest not acquired (non-controlling interests) is valued as follows:

At fair value: in this case, goodwill is recognised for the fraction of non-controlling interests, or

At the value of the fraction of identifiable net assets of the acquired entity: in this case, goodwill is only recognised for the acquired fraction.

Costs that can be charged directly to an acquisition are recognised under operating charges for the period under review.

When a take-over is carried out in phases, the fraction of previously owned interests is revalued at fair value on the take-over date, in consideration of operating profit or loss. Related other comprehensive income is fully restated under profit or loss.

Adjustment of the fair value of assets and liabilities acquired through the combination of businesses recognised initially at provisional values (owing to independent valuations underway or additional analyses to be carried out) are recognised as retrospective adjustments of goodwill if they occur during

8. MAIN ACCOUNTING METHODS (Continued)

the 12 months following the acquisition date. Past this time, such adjustments are taken directly to profit or loss unless they reflect error corrections.

Any subsequent change in the fair value through price adjustment is recognised under income or under other comprehensive income according to the applicable standards.

Goodwill is valued at cost less cumulative depreciation. Goodwill is allocated to units generating cash and is not amortised but subjected at least once a year to an impairment test according to the method set out in IAS 36.

8.6.2 Research and development

Research expenses are booked under charges as and when incurred.

Network development and improvement expenses are taken to fixed assets if the Group can show their technical and commercial feasibility and the availability of sufficient resources to complete such a development.

Expenses thus taken to assets include the cost of materials, direct labour and an appropriate fraction of overhead expenses. Other development expenses are taken to charges when incurred.

Development expenses taken to assets are booked at cost less cumulative amortisations and cumulative depreciation.

8.6.3 Other intangible fixed assets

The other intangible fixed assets acquired by the Group are recognised at cost less cumulative amortisation and depreciation.

For the acquisition of the Outremer Telecom group, the Group applied fair value to identifiable intangible fixed assets acquired, mainly licences and frequencies, a customer base and customer contracts, based upon the report of an independent expert.

Operating licences and the attribution of mobile telecommunications network frequencies are recognised at the discounted amount of fees to be paid and are amortised according to the straight-line method from the start-up date of the service until expiry of the operating right.

Connection costs (service access costs) are taken to fixed assets and amortised over their expected utilisation period.

The cost of SIM cards delivered to customers is taken to fixed assets and amortised over their expected utilisation period.

Expenses connected with subscriber bases and trademarks generated internally are recognised under charges when incurred.

8.6.4 Depreciation

Amortisation is recognised under charges according to the straight-line method over the estimated useful life of intangible fixed assets.

8. MAIN ACCOUNTING METHODS (Continued)

Other intangible fixed assets are amortised as soon as they are ready to become operational. The estimated periods of useful life are as follows:

• Customer base and customer contracts acquired	4 - 5 years
• Licences and frequencies	utilisation period or length of operating right whichever is shortest
• Software and software suites	1 - 3 years
• Development costs activated	3 - 11 years
• Service access costs and SIM cards	3 years

The WiMAX licences acquired on 1 August 2007 when taking over this XTS branch, are amortised over the remainder of the operating right on their acquisition date, i.e. 8 years and one month.

8.7 Tangible fixed assets

8.7.1 Assets owned by the Group

A tangible asset is valued according to the cost model, i.e. its gross value less cumulative amortisation and depreciation.

The cost of an asset produced by the Group for itself includes the cost of raw materials, direct labour, an initial estimate, if applicable, of discounted costs connected with the dismantling and removal of the fixed asset and the restoration of the site where it is situated, and an appropriate fraction of production overhead expenses. Borrowing costs incurred during the period in which the fixed assets are constructed are included in the cost of fixed assets when inclusion of costs began on or after the effective date of IAS 23 amended, i.e. 1 January 2009.

When the components of tangible fixed assets have useful lives of different lengths, they are recognised as different tangible fixed assets.

Most of the network was constructed by the Group itself. Direct construction costs are recognised under fixed assets on the balance sheet. Unfinished infrastructures are taken to assets under construction. When an itinerary has been completed, it is amortised over its estimated useful life.

Modems, set top boxes and decoders put at the disposal of customers are taken to fixed assets and amortised over their estimated useful life.

8.7.2 Leased assets

Lease agreements transferring to the Group nearly all risks and benefits inherent in the ownership of an asset are treated as lease finance agreements. An asset leased under a lease finance agreement is recognised in an amount equal to its fair value or, if this is lower, the discounted value of the minimum lease payments less cumulative amortisation and depreciation.

It is amortised according to the straight-line period over the useful life or the term of the lease agreement, whichever is shortest.

8.7.3 Subsequent costs

The Group includes in the book value of a tangible fixed asset the cost of replacing a component of this tangible fixed asset at the moment when this cost is incurred if it is probable that the future economic advantages connected with this asset will benefit the Group and its costs can be valued reliably. All service and maintenance costs are taken to charges when incurred.

8. MAIN ACCOUNTING METHODS (Continued)

8.7.4 Depreciation

Depreciation is recorded under charges according to the straight-line method over the estimated useful life for each person of a tangible fixed asset. Depreciation is based upon acquisition cost, including recognition of residual value.

Land is not depreciated. The estimated periods of useful life are as follows:

• Constructions	5 to 20 years
• Telecommunications equipment	4 to 7 years
• General facilities	4 to 10 years
• Interconnection boxes	2 years
• Office equipment and computer hardware	2 to 5 years
• Transport equipment	2 to 4 years
• Office furniture	3 to 10 years

8.8 Impairment of tangible and intangible fixed assets

The book value of intangible fixed assets with a predetermined useful life and tangible fixed assets are examined at every cutoff date in order to determine whether there is any indicator to show that an asset has lost value. If there is such an indicator, the recoverable value of the asset is estimated.

As regards goodwill, the recoverable value is estimated whenever there is an indicator that the asset has lost value and at least once a year on the annual closing date.

Loss of value is recognised when the book value of an asset or its cash generating unit is higher than its recoverable value. Losses of value are taken to the profit & loss account.

A loss of value recognised in respect of a cash generating unit is charged first to the decrease in book value of any goodwill allocated to the cash generating unit (group of units) and secondly to the decrease in book value of the other assets of the unit (group of units) in proportion to the book value of each asset of the unit (group of units).

For impairment test purposes, goodwill was allocated to cash generating units benefiting from synergies resulting from the combination. These cash generating units are the level at which this is monitored for internal management needs. They are main sectors of activity itemised in the reports, i.e. the Residential, Mobile and Business Activity sectors.

(i) Calculation of recoverable value

The recoverable value of intangible and tangible assets is their fair value less sales costs or their value in use, which is highest. To determine the value in use, estimated future cash flows are discounted at a pre-tax rate that reflects the current market valuation of the time value of money and the specific risks of the asset. The recoverable value of an asset which does not generate largely independent cash inflow is determined for the cash generating unit to which the asset belongs.

(ii) Writeback of loss of value

Loss of value on goodwill cannot be written back subsequently.

Loss of value recognised for an amortisable intangible or tangible asset is written back when the estimates used to determine the recoverable value have changed.

In this case, the book value of an asset, plus the loss of value written back, may not exceed the book value determined, net of amortisation and depreciation, if no loss of value had been recognised.

8. MAIN ACCOUNTING METHODS (Continued)

8.9 Accounting of investments in the equipment manufacturer ZTE

The Group's network investments at its equipment manufacturer ZTE are financed with a vendor financing arrangement. The signature of this contract results in recognition of an asset and a financial debt in the financial statements without generating a cash flow. Pursuant to IAS 7, transactions without compensation are not shown in the cash flow table.

8.10 Financial assets

Financial assets include non-consolidated equity interests, deposits, guarantees, receivables, debt instruments, **investment** securities, derivatives, cash and cash equivalents.

8.10.1 Valuation and recognition of financial assets

When recognised initially on the settlement date, financial assets are valued at fair value plus trading costs except for financial assets measured at fair value through profit or loss.

On the acquisition date, the Group determines the classification of the financial asset in one of the four accounting categories provided for in IAS 39.

(i) Held to maturity investments

These assets are exclusively assets with fixed income and maturities, acquired with the intention and the capacity to keep them until maturity. After their initial recognition at fair value, they are valued and recognised at cost amortised according to the effective interest rate method. No asset was booked in this category on 31.12.12.

(ii) Loans and receivables

This category includes receivables from related entities, other loans and receivables and trade receivables.

Trade receivables are valued initially at fair value, generally corresponding to their nominal value, unless the discount effect is significant.

In the event that delayed payment or default, loans and receivables are subjected to an impairment test and if the discounted recoverable value is less than the net book value, a loss of value is recognised under operating income.

(iii) Available-for-sale financial assets

These mainly include the Group's interests in the capital of non-consolidated companies.

Available-for-sale financial assets are valued in the balance sheet at fair value and changes in value are recognised directly under equity except when an impairment test results in recognition of an unrealised capital loss compared with the historic acquisition cost and is considered a significant or prolonged loss. In this last case, the loss of value is recognised under income. Any writebacks of value are recognised under income but only for debt instruments (receivables and rate bonds).

Amounts recognised under equity are written back to income when available-for-sale financial assets are sold. Fair value corresponds to the market price for listed securities or to an estimated value in use for unlisted securities, determined according to financial criteria best suited to the specific situation of each security. For equity securities not quoted in an active market; whose fair value cannot be measured reliably, the Group finally uses historic cost less any depreciation.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include assets held for trading purposes which the Group intends to sell in the near future or which belong to a portfolio managed and monitored at

8. MAIN ACCOUNTING METHODS (Continued)

fair value. Derivatives belong by default to this category. Changes in value are recognised through profit or loss.

8.10.2 Other equity securities

The interests held by the Group in companies in which the Group does not have control or a significant influence are classified as available for sale and valued at fair value. Any resulting profit or loss is taken directly to equity except the amount of losses of value. When such interests are divested, cumulative profits or losses recognised earlier directly under equity are taken to income.

8.10.3 Deposits and guarantees

Deposits and guarantees are recognised at amortised cost calculated by means of the effective interest rate.

8.10.4 Trade receivables and other debtors

Trade receivables and other debtors are valued at nominal value less depreciation to factor in actual recovery possibilities.

The implementation, during the past financial year, of new monitoring tools made it possible to improve analysis of receivables and to estimate actual recovery possibilities more accurately according to their age.

8.10.5 Transferable investment securities

Transferable **investment** securities correspond to short-term **investment**s with a maturity of more than 3 months on the acquisition date or with a significant risk of change in value. These **investment**s, managed in order to obtain a higher yield than benchmark targets, are recorded as ‘‘assets held for trading purposes’’ and are measured at fair value. Realised profits and losses are recognised in the profit & loss account.

8.10.6 Cash and cash equivalents

Pursuant to IAS 7, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments with a maturity of less than three months on the acquisition date and that are subject to an insignificant risk of changes in value. Bank overdrafts redeemable on demand, which are an integral part of the Group’s cash management, are a component of cash and cash equivalent for cash flow purposes.

8.11 INVENTORIES

Inventories are valued at cost or net sales value, whichever is lower. The net sales value is the sales price estimated in the normal course of business less estimated costs necessary to complete the sale.

The purchase cost consists of the purchase price plus shipping costs.

For laptops supplied to customers as part of commercial offers, the probable net sales value also factors in future income expected from new subscriptions connected with the sale of equipment.

8.12 DEFERRED TAX ASSETS

Determination of the possibility of recovering a deferred tax asset calls for evaluation on the part of management insofar as it is primarily based upon estimated future taxable income within each sphere of taxation (see the method used to recognise deferred tax assets described in note 9.6).

Management notably:

- estimates future taxable income upon the basis of the assumptions in its business plan;
- estimates probable changes in temporary differences in the carrying value of tax assets and liabilities.

8. MAIN ACCOUNTING METHODS (Continued)

8.13 Interest-bearing loans

Interest-bearing loans are initially recognised at fair value less the amount of transaction costs. After initial entry, they are recognised at amortised cost. The difference between cost and repayment value is recognised in the profit & loss account over the duration of the loans, according to the effective interest rate method.

8.14 Other derivatives

The Group uses derivatives to hedge exposure to interest rate risks resulting from financial and investment activities. In line with its cash management policy, the Group does not hold or issue derivatives for transaction purposes.

However, the Group has not opted for hedge treatment. Derivates are valued at fair value. The profit or loss resulting from revaluation at fair value is immediately recognised as follows: the fraction of the hedge considered ineffective under income and the fraction considered effective under equity.

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to cancel the swap on the closing date, taking into account the present level of interest rates and the counterparty risk.

8.15 Employee benefits

The Group recognises and values employee benefits according to IAS 19. Employee benefits include benefits subsequent to employment and long-term benefits.

Other long-term benefits mainly include bonuses paid for service years. Commitments for bonuses to be paid for service years are recognised in the form of provisions.

Pursuant to IFRS 2, the Group recognises the fair value of options and share-based payments granted to employees under employee charges during the period in which the rights were acquired.

8.15.1 Defined contributions schemes

Contributions to be paid into a defined contributions scheme are recognised under charges when incurred. In addition to the legally compulsory pension scheme applicable in France, the Group subscribes to a complementary defined contributions scheme.

8.15.2 Defined benefits schemes

The Group values pension commitments to benefits subsequent to employment and to long-term benefits by estimating the amount of future benefits acquired by employees in exchange for services provided during the current period and past periods. This amount is discounted to determine present value. The discount rate is equal to the rate, on the closing date, based upon first category obligations whose maturity date is close to the one of the Group’s commitments. The calculations are made by an actuary using the projected credit units method.

The Group has decided to apply the corridor method (IAS 19 paragraph 95) for recognising actuarial gains and losses. Consequently, for benefits subsequent to employment, only actuarial gains and losses situated outside a corridor of plus or minus 10% of the present value of the defined benefits obligation on the closing date of the previous financial year are recognised in the profit & loss account over the average residual employment of employees entitled to benefits under the scheme. Actuarial gains and losses situated within this corridor are never recognised.

Actuarial gains and losses connected with valuation of other long-term benefits are immediately recognised under income.

The increase in the commitment due to accretion is recognised under financial charges.

8. MAIN ACCOUNTING METHODS (Continued)

8.15.3 Share-based payment plan

The company's General Shareholders' Meeting has decided to grant existing or newly created shares within the limit of 4% of the company's share capital on the Grant Date and has authorised the Board of Directors to grant these shares in one or more tranches.

On 14 December 2009, the company's Board of Directors resolved to grant a second tranche of 150,000 shares, i.e. 0.71% of the share capital.

On 20 December 2010, the company's Board of Directors resolved to grant a third tranche of 117,000 shares, i.e. 0.55% of the share capital.

On 15 December 2011, the Management Board resolved to grant another 5,000 shares, i.e. 0.02% of the share capital.

In all three cases, the final number of shares granted depends upon performance criteria. Thus, for half of them, the final number of shares granted depends upon the level of sales reached after the grant period, while for the remaining 50% the final number depends upon the level of EBITDA reached after this same period.

The grant periods of the three plans expire on the dates of the General Meetings called to vote on the financial years closed on 31 December 2011, 2012 and 2013, respectively.

Pursuant to IFRS2, share-based payments to employees are included in their overall remuneration package. The fair value of services provided by employees in return for such shares is therefore recognised under personnel charges during the grant period. This fair value is estimated based upon the fair value of the shares on the grant date. The above grant conditions factor in adjustment of the number of shares included in the valuation of the overall amount of each plan. These values as calculated amount to 27 thousand euros in 2012 for the 2011 plan, 610 thousand euros for the 2010 plan and 460 thousand euros for the 2009 plan.

Personnel charges in 2012 for the 2011 and 2010 plans amounted to €14,000 and €262,000, respectively. Personnel charges in 2011 for the 2009 and 2010 plans amounted to €156,000 and €405,000, respectively

8.16 PROVISIONS

A provision is recognised in the balance sheet when the Group has a current legal or implicit obligation resulting from a past event and when disbursement of resources representing economic advantages will probably be necessary to extinguish the obligation.

When the time value effect is significant, the amount of the provision is determined by discounting expected future cash flows at a pre-tax rate reflecting current measurement of the time value of money by the market and, when appropriate, the specific risks of the liability in question.

The Group is obliged to dismantle installed equipment and to restore the sites leased by it. In line with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the provision was valued at the best estimate available, which will make it possible to extinguish the obligation recognised to offset the increase in the initial cost of the underlying fixed asset. The provision is discounted by applying a rate reflecting the passage of time, based upon the yield of a risk-free bond. The underlying fixed asset is valued according to the cost method. This cost may be adjusted in the case of a change in the amount of the provision, estimated at each cut-off date.

8.17 TRADE PAYABLES AND OTHER SUPPLIERS

Trade payables and other suppliers are valued at fair value during initial recognition and subsequently at amortised cost.

8. MAIN ACCOUNTING METHODS (Continued)

8.18 OTHER LIABILITIES

Other liabilities mainly include:

- tax and social security liabilities;
- deferred income, mainly corresponding to monthly fixed fees and investment subsidies obtained through tax-exemption transactions.

8.19 INCOME

8.19.1 Equipment sales and maintenance

Income from the sale of goods such as laptops, terminals and accessories is recognised in the profit & loss account when the significant risks and advantages inherent in ownership of goods have been transferred to the buyer. Income from maintenance is recognised in the profit & loss account according to the straight-line method over the duration of the contract.

No income is recognised when there is a significant uncertainty as to (i) whether the compensation due can be collected, (ii) costs incurred or to be incurred in connection with the service or (iii) goods may be returned if the purchase is cancelled and the Group remains involved in managing the goods.

8.19.2 Services

Sales from communication services is recognised as and when such services are provided to the customer.

Revenue from the sale of prepaid telephone cards is recognised as and when the cards are used.

Income from internet access subscriptions and telephone package subscriptions is recognised according to the straight-line method over the duration of the corresponding service.

Sales from switched services is recognised as and when traffic is routed.

8.19.3 Joint offers

The company provides complex contractual services or transactions with many different components. The amount received or to be collected for offers with identified separable components is allocated according to the fair value of each component. When the components of such transactions cannot be identified or analysed as separable from a main offer, they are considered linked and the associated revenue is recognised in its entirety over the term of the contract.

The main accounting methods for consumer-oriented mobile telephone offers consisting of several types of communication packages, generally associated with the sale of a mobile terminal, are as follows (i) income from telephone packages is recognised according to the straight-line method over the duration of the corresponding service, (ii) the cost of acquiring customers, mainly the cost of mobile phones sold and associated subsidies is recognised when incurred (iii) SIM cards put at the disposal of customers are taken to intangible assets and amortised over their estimated working life.

8.19.4 Service access costs

Service access costs or preselection costs billed as part of ADSL or Fixed offers on contract termination are taken to income when their collection is probable.

8.19.5 Promotional offers and loyalty programmes

Sales are presented net of discounts. As part of commercial offers for contracts including a time commitment on the part of the customer, the Group grants certain free services during a predetermined contractual period. When free services are tied to a contractual commitment, total contractual revenue is spread over the whole period of the contractual commitment.

8. MAIN ACCOUNTING METHODS (Continued)

The Group's customer loyalty programme is entitled Only4U. Under this programme, customers get advantages or points in proportion to amounts billed. These points have a limited life and can be exchanged for products marketed by the Group or for discounts on such products and, since September 2006, against advantages offered by partners (airplane tickets, etc.). Pursuant to IFRIC 13, the Group records part of services billed under unearned revenue at the fair value of its obligations, as and when the customer earns these rights. Fair value is determined according to the company's price catalogue and factors in the average historic redemption rate on the date when such points are earned.

8.19.6 Other operating income

Other operational income mainly includes the fraction written back to income of subsidies received as part of tax exemption schemes, gains on asset disposals and income from abnormal or unusual events, such as income awarded in significant claims disputes.

8.20 Charges

8.20.1 Customer acquisition cost

Customer acquisition costs (commercial costs, advertising costs and brand building costs) are recognised under charges during the financial year in which they are incurred.

8.20.2 Payments under ordinary rental contracts

Payments under ordinary rental contracts are recognised under charges according to the straight-line method over the term of the rental contract.

8.20.3 Payments under finance leases

Minimum payments under a finance lease are divided between a financial charge and debt amortisation. The financial charge is allocated to each period covered by the lease in order to obtain a constant periodic interest rate applicable to the outstanding balance of the debt.

8.20.4 Net cost of debt

The net cost of debt includes interest due on borrowings, calculated according to the effective interest rate method, and interest receivable on **investment**s.

The interest expense included in payments made under a finance lease is recognised according to the effective interest rate method.

8.20.5 Corporation tax

Corporation tax (charge or income) includes the tax charge (income) due and the deferred tax charge (income). The tax is booked under income except when relating to items recognised directly under equity, in which case it is taken to equity.

The tax due is (i) the estimated amount of tax due on the taxable profit for the period, based upon the tax rate adopted or quasi-adopted on the closing date and (ii) any adjustment in the amount of tax due for previous periods.

Deferred taxation is determined according to the balance sheet approach for all time differences between the book value of assets and liabilities and their tax base. Valuation of deferred tax assets and liabilities depends upon the way in which the Group expects to recover or pay the book value of assets and liabilities, based upon tax rates adopted or quasi-adopted on the closing date .For activies in the DROM, the Group enjoyed a rebate on taxable income until 31 December 2010. The cancellation of this tax rebate resulted in an adjustment in 2011 of the deferred tax liabilities on activities that were profitable.

8. MAIN ACCOUNTING METHODS (Continued)

A deferred tax asset is only recognised insofar as the Group will probably have taxable future profits to which this asset can be charged.

Lastly, as there has been a tax consolidation structure since 1 January 2005, of which Groupe Outremer Telecom SA is the parent, deferred taxes were determined as though the consolidated Group represented only one entity for tax purposes except for two foreign entities.

The Budget Act for 2010, passed on 30 December 2009, abolished application of business tax to French tax entities with effect from 2010, replacing it with the Contribution Economique Territoriale (CET—territorial economic contribution), which includes two new levies:

- ***Cotisation Foncière des Entreprises (CFE—business land contribution) based upon the current business tax;***
- ***Cotisation sur la Valeur Ajoutée des Entreprises (CVAE—contribution over value added by businesses), based upon the value added by each separate company.***

The Group recognises business tax under operating charges.

Pending clarification by the accounting authorities of the treatment of CVAE (tax on value added by businesses), the Group opted to consider the nature of the CVAE contribution similar to business tax. Lacking a recommendation and after examining the practices of many French groups, the Group has decided to restate the CVAE in accordance with IAS12.

The Group holds that value added is a net amount of income and charges and the intermediate level of income used systematically as a basis, under French tax rules, for determining the amount of CVAE due.

The Group holds that the items determining the level of its pre-tax profit are used in calculating the CVAE and that it is therefore appropriate to apply the same accounting treatment to corporation tax and to the CVAE.

8.20.6 Other operating charges

Other operating charges mainly include impairment of trade receivables, losses on asset disposals and charges resulting from abnormal or unusual events such as significant claims disputes.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9.1 ACQUISITIONS, DISPOSALS AND CHANGES IN THE CONSOLIDATION STRUCTURE DURING THE FINANCIAL YEAR

Telecom Reunion SNC formed as part of a tax exemption mechanism expiring in 2012, was liquidated on 31.03.12. (see section 8.4).

SASU OPS was set up in 2012 as part of a legal tax exemption mechanism (see section 8.4).

9.2 GOODWILL

Goodwill did not change in 2012 and was allocated to the following cash generating units:

(in EUR 000)	31.12.2012	31.12.2011
Residential	21,499	21,499
Mobile	11,700	11,700
Corporate activity	8,435	8,435
Goodwill	**41,634**	**41,634**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill is tested annually for loss of value. No impairment was recognised during 2012. These assets are valued according to the discounted projected cash flows of these assets, determined within the framework of the business plans. The main parameters used in 2012 to calculate these projected flows were as follows:

Cash-generating unity	Term of plans	Discount rate	Growth rate in excess of term of plans
Residential	5 years	6.75%	0.50%
Mobile	5 years	6.75%	0.50%
Corporate activity	5 years	6.75%	0.50%

The discount rate of 6.75% is obtained by taking a capital cost of 13.1% and a pre-tax cost of debt of 6%.

The growth rates applied to the period after the business plans are those normally adopted by the markets of the activities in question.

In view of the marginal significance of financial leverage, an increase in the cost of capital is not expected to depreciate goodwill recognised for each cash generating unit

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.3 INTANGIBLE FIXED ASSETS

The change in gross value and amortisation of tangible fixed assets breaks down as follows:

(in EUR 000)	IRU	Telecom access fees	Leasehold right	Wimax licence	Network development costs	Fixed assets under construction	Other	Total other intangible fixed assets
Gross value at 31 December 2011	**17,836**	**6,497**	**5,232**	**3,759**	**15,193**	**4,625**	**29,350**	**82,492**
Purchases	488	1,956	846	—	—	6,249	308	9,847
Disposals, scrappages	—	(1,669)	(108)	—	—	—	(42)	(1,819)
Changes in scope of consolidation	—	—	—	—	—	—	—	—
Conversion differences	—	—	—	—	—	—	(14)	(14)
Reclassifications	(533)	603	—	—	696	(4,786)	2,027	(1,993)
Gross value at 31 December 2012	**17,791**	**7,387**	**5,970**	**3,759**	**15,889**	**6,088**	**31,629**	**88,513**
Amortisation and depreciation at 31 December 2011	**(2,672)**	**(3,885)**	**(3,059)**	**(2,054)**	**(12,883)**	**—**	**(27,197)**	**(51,750)**
Dotations	(1,304)	(1,832)	(598)	(465)	(1,110)	—	(1,189)	(6,498)
Write-backs on disposals, scrappages	—	1,669	121	—	—	—	0	1,790
Changes in scope of consolidation	—	—	—	—	—	—	—	—
Conversion differences	13	—	—	—	—	—	2	16
Reclassifications	1,989	—	—	—	—	—	0	1,989
Amortisation and depreciation at 31 December 2012	**(1,973)**	**(4,048)**	**(3,536)**	**(2,519)**	**(13,993)**	**—**	**(28,384)**	**(54,453)**
Net value at 31 December 2011	**15,164**	**2,612**	**2,173**	**1,705**	**2,310**	**4,625**	**2,153**	**30,742**
Net value at 31 December 2012	**15,818**	**3,339**	**2,434**	**1,240**	**1,896**	**6,088**	**3,245**	**34,060**

The Wimax licence acquired in August 2007 is commercialised but within certain limits to allow the Group to complete the tests necessary for its large-scale implementation.

Since its acquisition by the Group, Wimax licence has been amortised according to the straight-line method over its residual term, i.e. until September 2015.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.4 Tangible fixed assets

The change in gross value and amortisation of tangible fixed assets breaks down as follows:

(in EUR 000)	Land and buildings	Plant & equipment	Other tangible fixed assets	Fixed assets under construction	Advances and instalments on fixed assets	Total tangible fixed assets
Gross value at 31 December 2011	**1,119**	**105,640**	**49,592**	**9,552**	**676**	**166,579**
Purchases	—	1,515	367	16,618	—	18,500
Disposals, scrappages	—	(10,389)	(4,150)	—	(139)	(14,678)
Effects of mergers	—	—	—	—	—	—
Conversion differences	—	—	(69)	—	—	(69)
Reclassifications	—	6,072	5,930	(11,831)	—	171
Gross value at 31.12.2012	**1,119**	**102,838**	**51,670**	**14,339**	**537**	**170,503**
Amortisation and depreciation at 31.12.2011	**(511)**	**(58,091)**	**(38,670)**	**—**	**—**	**(97,273)**
Charges	(31)	(13,355)	(5,782)	—	—	(19,168)
Write-backs on disposals, scrappages	—	10,389	3,808	—	—	14,197
Effects of mergers	—	—	—	—	—	—
Conversion differences	—	—	42	—	—	42
Reclassifications	—	0	0	—	—	0
Amortisation and depreciation at 31.12.2012	**(542)**	**(61,057)**	**(40,602)**	**—**	**—**	**(102,201)**
Net value at 31 december 2011	**608**	**47,549**	**10,922**	**9,552**	**676**	**69,306**
Net value at 31 december 2012	**577**	**41,781**	**11,068**	**14,339**	**537**	**68,302**

Dismantlement assets helped increase technical facilities by €171,000 (€423,000 in 31.12.11).

Tangible fixed assets include leased facilities with a net value of €461,000 (€233,000 in 31.12.11).

9.5 Non-current financial assets

Non-current financial assets breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Deposits, guarantees and other receivables	1,536	1,287
Other long-term shareholdings	32	32
Non-current financial assets	**1,568**	**1,319**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.6 Deferred taxes

The balance sheet position by source of time differences was as follows:

(in EUR 000)	31.12.2012	31.12.2011	variation
Clientele	—	—	—
Other fixed assets	130	(236)	366
Provision for pensions	854	620	234
Other provisions	2,179	2,409	(230)
Financial instruments	548	342	206
Prepaid expenses and income	(598)	(492)	(106)
Loss carry-forwards	100	210	(110)
Other timing differences	(698)	(1,104)	406
Total deferred tax	**2,515**	**1,749**	**766**
Of which			
Deferred tax assets	3,229	2,728	501
Deferred tax liabilities	(714)	(979)	265

In view of the earnings prospects of some of the Group's entities, deferred tax assets are recognised under tax loss carry forwards.

9.7 Inventories

Inventories were made up of the following items:

	31.12.2012			31.12.2011		
(in EUR 000)	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Computer hardware	186	(127)	59	181	(110)	70
Other (mobiles, pre-paid cards)	5,013	(652)	4,361	4,427	(999)	3,429
Stocks	**5,199**	**(779)**	**4,420**	**4,608**	**(1,109)**	**3,499**

The company recognised a net depreciation writeback of €330,000 in 2012, compared with a net depreciation writeback of €8,000 in 2011.

9.8 Trade receivables

Trade receivables breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Accounts receivable from clients	38,149	45,377
Depreciation	(9,884)	(20,990)
Total	**28,265**	**24,387**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On 31.12.12, trade receivables were depreciated by €9,884. The changes in the depreciation of trade receivables breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
At beginning	**(20,990)**	**(26,791)**
Charges	(4,162)	(4,356)
Write-backs	15,245	10,181
Others movements	23	(24)
At year-end	**(9,884)**	**(20,990)**

	31.12.2012						
	Total	Unmatured	Due in less than 1 month	Due in 1 to 3 months	Due in 3 to 6 months	Due in 6 to 12 months	Due after 12 months
Gross receivables at 31.12.2012 (incl.tax)	38,149	20,506	2,264	2,991	1,482	2,701	8,205
Provisions at 31.12.2012 (excl.tax)	(9,884)	—	(392)	(1,153)	(704)	(1,276)	(6,360)
Net balance at 31 December 2012	**28,265**	**20,506**	**1,872**	**1,838**	**778**	**1,425**	**1,845**
Net balance at 31 December 2011	**24,387**	**15,892**	**1,900**	**1,738**	**839**	**1,383**	**2,635**

9.9 Other current assets

Other current assets breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Social security	21	2
Tax	871	1,941
Prepaid expenses	2,362	2,664
Other current assets	3,515	4,056
Depreciation	(170)	(192)
Other current assets	**6,599**	**8,471**

9.10 Cash and cash equivalents

Cash in hand and cash equivalents breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Liquid funds	6,368	4,765
Marketable securities	21,328	16,467
Cash & cash equivalents	**27,696**	**21,232**
Bank balances part of cash flow	(1,613)	(1,765)
Cash flow appearing in the cash flow statement	**26,083**	**19,467**

Investment securities consist mainly of SICAV-type mutual funds.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.11 Capital

The company's share capital on 31.12.12 was €2,756,000, divided into 21,200,000 ordinary shares of €0.13, all entirely subscribed and paid up.

On 31.12.12 the Group held 190,758 shares of treasury stock.

The company's capital did not change in 2011 and in 2012.

9.12 Borrowings and financial debts

Borrowings and financial debts breaks down as follows:

	31.12.2012			31.12.2011		
(in EUR 000)	Total amount	Current	Non-current	Total amount	Current	Non-current
Senior debts and investment credits	80,339	7,416	72,923	89,282	9,271	80,011
Lease finance loans	845	196	649	628	105	522
Debts from pruchase of GSM equipments	8,612	5,035	3,577	8,080	2,155	5,925
Royalty debts payable on frequencies	606	223	383	819	213	606
Bank balances	1,613	1,613	—	1,766	1,766	—
Short-term accrued unmatured interest	480	480	—	477	477	—
FOREX and interest-rate derivatives	1,503	1,503	—	876	876	—
Guarantees and other debts	543	345	198	484	393	91
Total	**94,540**	**16,810**	**77,730**	**102,411**	**15,256**	**87,155**

The Group satisfies all applicable financial ratios and therefore presents borrowings and debts according to their contractual repayment schedule.

9.12.1 Repayment schedule of the entire financial debt on 31 December

The maturities of the non-discounted debt repayments are as follows:

(in EUR 000)	31.12.2012	31.12.2011
Due in less than one year	16,810	15,256
Due in 1 - 5 years	58,264	51,639
Due after 5 years	19,466	35,516
Total financial debt	**94,540**	**102,411**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.12.2 Breakdown of financial debt

For the financial year ended 31.12.12, financial debts break down as follows:

(in EUR 000)	Currency	Rate	Balance sheet value	Contractual maturity
BNP loan	EUR	Euribor + 3.25%	80,339	2,018
Due to GSM equipment supplier ZTE	EUR	Euribor + 3.186%	4,271	2,014
Due to GSM equipment supplier ZTE	EUR	Euribor + 3.186%	386	2,013
Due to GSM equipment supplier ZTE	EUR	Euribor + 3.186%	1,582	2,015
Due to equipment supplier Alcatel	EUR	Euribor + 1.5%	2,204	2,014
Due to equipment supplier IBM	EUR	6.12%	62	2,014
Due to equipment supplier IBM	EUR	6.31%	106	2,015
Lease finance loans	EUR		845	2,014
Royalty debt payable on frequencies	EUR		606	2,015
Current account balances with banks	EUR		1,613	
Accrued interest			480	
FOREX and interest-rate derivatives			1,503	
Guarantees and other debts			543	
Total			**94,540**	

For the financial year ended 31.12.11, financial debts break down as follows:

(in EUR 000)	Currency	Rate	Balance sheet value	Contractual maturity
BNP loan	EUR	Euribor + 3.25%	89,282	2,018
Due to GSM equipment supplier ZTE	EUR	Euribor + 3.186%	5,695	2,014
Due to GSM equipment supplier ZTE	EUR	Euribor + 3.186%	773	2,013
Due to equipment supplier Alcatel	EUR	Euribor + 1.5%	1,513	2,014
Due to equipment supplier IBM	EUR	6.12%	99	2,014
Lease finance loans	EUR		627	2,014
Royalty debt payable on frequencies	EUR		819	2,015
Current account balances with banks	EUR		1,766	
Accrued interest			477	
FOREX and interest-rate derivatives			876	
Guarantees and other debts			484	
Total			**102,411**	

The fair value of borrowings at variable rates is considered close to that of amortised cost.

9.13 Employee Benefits

Employee benefits break down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Post-employment benefits	1,344	1,176
Long-term benefits	937	689
Employee benefits	**2,281**	**1,865**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- **Benefits after employment**

The discounted value of the Group's retirement allowances liabilities changed as follows:

(in EUR 000)	Discounted value of the obligation (DBO)
As at 1.01.2011	**750**
Cost of past services	—
Cost of services rendered	132
Interest charge	37
Benefits paid	—
Actuarial gains and losses	10
Effects of implementation of scheme	—
Effects of wind-up	—
As at 31.12.2011	**929**
Cost of past services	
Cost of services rendered	139
Interest charge	46
Benefits paid	—
Actuarial gains and losses	289
Effects of implementation of scheme	
Effects of wind-up	(11)
As at 31.12.2012	**1,392**

Reconciliation of the discounted value of the Group's retirement allowances liabilities and the provision for employee benefits shows the following:

(in EUR 000)	31.12.2012	31.12.2011
Discounted value of the commitment in respect of end of career compensation	1,392	929
Cost of past services not recognised	46	46
Actuarial gains and losses not recognised	(94)	201
Other		
Provision for employee benefits	**1,344**	**1,176**

- **Long-term benefits**

Uses noted in 2007 prompted the Group to recognise a seniority bonus.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The discounted value of the Group's obligation in terms of retirement benfits changed as follows:

(in EUR 000)	Discounted value of the obligation (DBO)
As at 1.01.2011	**626**
Cost of past services	—
Cost of services rendered	138
Interest charge	36
Benefits paid	—
Effects of changes in scheme	(111)
As at 31.12.2011	**689**
Cost of past services	—
Cost of services rendered	149
Interest charge	42
Benefits paid	—
Effects of changes in scheme	57
As at 31.12.2012	**937**

Reconciliation of the discounted value of the Group's liabilities and the provision for long-term benefits shows the following:

(in EUR 000)	31.12.2012	31.12.2011
Discounted value of the commitment in respect of end of career compensation	937	689
Cost of past services not recognised	—	—
Actuarial gains and losses not recognised	—	—
Provision for employee benefits	**937**	**689**

- **Actuarial assumptions**

The main actuarial assumptions are as follows:

	31.12.2012	31.12.2011
Discount rate	3.0%	5.3%
Salary discount rate	0% à 2.5%	1.5% à 2.5%

9.14 Provisions

Provisions changed as follows:

				Writebacks			
(in EUR 000)	31.12.2011	Charges	Effect of discounting	Used	Not used	Other	31.12.2012
Provisions for disputes	2,691	1,719	—	(663)	(311)	—	3,436
Provision for dismantling	4,115	—	344		(7)	170	4,622
Total provisions	**6,806**	**1,719**	**344**	**(663)**	**(318)**	**170**	**8,058**

The increase in dismantlement provisions is offset by an increase in tangible fixed assets. The impact of accretion and of the change in the discount rate are recognised under financial charges.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Provisions break down as follows between current and non-current provisions:

	31.12.2011		31.12.2012	
(in EUR 000)	Current	Non current	Current	Non current
Provisions for disputes	3,436	—	2,691	—
Provision for dismantling	—	4,622	—	4,115
Total provisions	**3,436**	**4,622**	**2,691**	**4,115**

9.15 Other non-current liabilities

Other non-current liabilities correspond to the fraction of tax exemption subsidies received which is older than one year.

9.16 Other current liabilities and tax payables

Other current liabilities break down as follows:

	31.12.2012			31.12.2011		
(in EUR 000)	Other creditors	Prepaid income	Total	Other creditors	Prepaid income	Total
Social security	6,560	—	6,560	4,990	—	4,990
Tax	2,396	—	2,396	1,707	—	1,707
Current account credit balances	461	—	461	111	—	111
Tax exemption subsidies	—	1,170	1,170	—	1,580	1,580
Lump sums received in advance	—	10,030	10,030	—	9,067	9,067
Revenues from loyalty programmes	—	2,289	2,289	—	2,159	2,159
Other	2,411	—	2,411	5,393	34	5,427
Other current liabilities	**11,828**	**13,489**	**25,317**	**12,201**	**12,840**	**25,041**

Deferred income from loyalty programs corresponds, at fair value, to the rights to advantages earned by customers for past consumption. The advantage granted averages 0.7% of the main sale.

Due tax liabilities include the debt of €4,867,000 generated by tax consolidation with OMT Invest.

9.17 Derivatives

9.17.1 Interest-rate instruments

The Group refinances itself primarily at variable rates, exposing itself to changes in its future interest expense.

The Group therefore uses derivatives to eliminate or limit these risks. The rate derivatives used by the Group provide an economic hedge but are not covered by hedge documentation in accordance with IAS 39. Consequently, changes in the fair value of these instruments are recognised under other income and charges as follows: the fraction of the hedge considered effective under gross income and the fraction considered ineffective under net income.

The derivatives used are rate swaps.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.17.2 Rate derivatives for trading purposes

The rate derivatives held for trading purposes break down as follows:

	Notional rate at 31 December 2012				Fair value
(in EUR 000)	< 1 year	1 - 5 years	> 5 years	Total	31.12.2012
Interest-rate option					
CAP	—	15,000	—	15,000	1
Collar	—	12,500	—	12,500	(625)
Rate swaps					
Payer fixed/receiver variable	10,000	25,000	—	35,000	(879)
Derivative instruments held for transaction purposes	**10,000**	**52,500**	**—**	**62,500**	**(1,503)**

	Notional rate at 31 December 2011				Fair value
(in EUR 000)	< 1 year	1 - 5 years	> 5 years	Total	31.12.2011
Interest-rate option					
CAP	—	15,000	—	15,000	20
Collar	—	12,500	—	12,500	(283)
Rate swaps					
Payer fixed/receiver variable	—	35,000	—	35,000	(593)
Derivative instruments held for transaction purposes	**—**	**62,500**	**—**	**62,500**	**(856)**

The change in the fair value of the derivatives is recognised as follows: non-effective fraction under net financial income, effective fraction under equity.

For the financial year ended 31 December 2012, the impact of this change is reflected in financial income of €35,000 and a decrease in equity of €681,000 before the impact of deferred taxation.

9.18 EXTERNAL CHARGES

External charges break down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Purchased consumed	20,598	17,501
Rents and rental charges*	10,517	10,101
Payments to intermediaries and fees	2,385	3,219
Telecom costs	48,785	53,499
Other external purchases	18,756	19,403
External purchases	**101,041**	**103,723**

* Commercial leases for offices, shops and warehouses and automatically renewable leases under the laws for regulations and private citizens for the rental of technical sites.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.19 Personnel charges

Personnel charges were broken down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Salaries	(19,450)	(20,110)
Social Security costs	(7,078)	(5,885)
Other	(2,392)	(1,732)
Total employee costs	**(28,920)**	**(27,727)**

In respect of share-based payments (see section 8.15.3), other personnel charges include a charge of €341,000 for 2012 vs. €561,000 for 2011.

Other charges also include employee profit sharing in the amount of €1,593,000.

The Group had 830 employees on 31 December 2012, up from 911 on 31.12.11.

9.20 Other operating charges

Other operating charges break down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Depreciation of accounts receivable from customers	(4,306)	(4,438)
Other expenses	1,314	1,564
Other operating expenses	**(2,992)**	**(2,874)**

Other operating charges consist mainly of appropriations to provisions for risks and depreciation on client receivables.

9.21 Other operating income

Other operating income breaks down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Subsidies received for tax exemption transferred to income for the year	1 601	2 250
Other income	130	64
Other operating income	**1 731**	**2 314**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.22 Net cost of debt and other financial income and charges

(in EUR 000)	31.12.2012 Income	31.12.2012 Charges	31.12.2012 Net	31.12.2011 Income	31.12.2011 Charges	31.12.2011 Net
Interest on senior debt		(2,887)	(2,887)		(1,561)	(1,561)
Interest on lease finance loans		(15)	(15)		3	3
Interest on debts to GSM equipment suppliers		(269)	(269)		(364)	(364)
Interest on trade debts		(35)	(35)		(26)	(26)
Interest on SWAP		(516)	(516)		(1,221)	(1,221)
Interest on royalty debt payable on frequencies		(83)	(83)		(94)	(94)
Other income/expenses		(479)	(479)		(445)	(445)
Income from disposal of marketable securities	308		308	250		250
Net borrowing costs	**308**	**(4,284)**	**(3,976)**	**250**	**(3,708)**	**(3,458)**
Discounting charges		(344)	(344)		(145)	(145)
Other income and expenses	(22)	(130)	(152)	758	(408)	350
Change in fair value of derivatives	34		34	403		403
Foreign exchange results	453	(464)	(11)	283	(404)	(121)
Other financial income and expenses	**465**	**(938)**	**(473)**	**1,444**	**(957)**	**487**
Change in fair value of derivative instruments on hybrid debts			—			—

9.23 Corporation tax

Corporation tax for the year reflects application of the effective rate at the end of the financial year to pre-tax profit on 31.12.12. In France, deferred taxes are based upon current tax rates, i.e. 34.43% for 2012 and subsequent years.

(in EUR 000)	31.12.2012	31.12.2011
Current tax charge/income	(10,069)	(2,274)
Deferred tax charge/income	531	(7,040)
CVAE	(1,680)	(1,332)
Total tax charge/income	**(11,218)**	**(10,646)**

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The theoretical tax rate based upon the statutory tax rate in France and the effective tax rate are reconciled as follows:

(in EUR 000)	31.12.2012	31.12.2011
Net profit for the period	18,799	19,838
Tax rebate		
Tax charge/income for the period	(11,218)	(10,646)
Consolidated pre-tax profit	**30,017**	**30,484**
Theoretical tax rate	*34.43%*	*34.43%*
Theoretical tax charge/income	(10,335)	(10,496)
Effect of change in deferred tax rate	—	369
Differences in tax rate	665	80
Own shares held	381	(54)
N-1 tax adjustment	(6)	—
Abatement upto one third—French overseas departments	47	77
Share of costs and expenses on dividends	(415)	—
Share of cost and expenses on long-term gains	(173)	—
Effects of deferred tax assets not recognised by way of losses carried forward	(294)	—
Other taxes due	(915)	(784)
Other	(173)	162
Effective tax charge/income	**(11,218)**	**(10,646)**
Effective tax rate	***37.37%***	***34.92%***

The recognition of the CVAE as an income tax increased tax liabilities on 31.12.12 by €915,000.

Until 2011, Groupe Outremer Telecom was the head of the tax consolidation group consisting of the entities within the sphere of its consolidation structure. Starting 2012, the Group's entities were added to a larger tax consolidation group headed by OMTInvest, the majority shareholder of Groupe Outremer Telecom. The capacity to consume tax loss carry forwards within the Group's consolidation structure, is therefore examined at the level of each entity, independently from tax consolidation. Similarly, the non-deductible fractions of internal income affect the Group's overall tax rate.

9.24 CONTRACTUAL COMMITMENTS

9.24.1 Commitments granted under rental contracts

Amounts payable under rental contracts break down as follows:

	Outstanding at 31 December 2012			
(in EUR 000)	Total	< 1 year	due in 1 - 5 years	> 5 years
Rentals	**28 322**	8 641	15 932	3 749

	Outstanding at 31 December 2011			
(in EUR 000)	Total	< 1 year	due in 1 - 5 years	> 5 years
Rentals	**30 582**	8 508	17 833	4 241

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.24.2 Guarantees granted for borrowings taken out by Groupe Outremer Telecom SA and Outremer Telecom

9.24.2.1 Bank credit agreement

On 28 July 2011, the Group signed a 7-year credit facilities agreement with an overall value of €92.7 million, recognised for €80.4 million under liabilities on 31 December 2012.

In order to secure repayment of these facilities, the lending institutions benefit from certain guarantees, particularly the following:

the pledging of the Outremer Telecom SAS securities held by the Group,
the pledging of the claims held by Groupe Outremer Telecom SA and by its subsidiary Outremer Telecom SAS
the pledging of the bank accounts of Outremer Telecom SAS
the pledging of the trademarks owned by Outremer Telecom SAS

9.24.2.2 Agreements signed with ZTE Corporation

Outremer Telecom SAS continues to build a denser network and to migrate its networks to 3.5 G. As part of this drive, it has signed a contract for the supply of telecommunications equipment and associated services with ZTE Corporation (''ZTE'').

Under this agreement, ZTE granted Outremer Telecom SAS a renewable credit line of maximum €20 million, which was partly drawn down in several tranches in 2011 and 2012. The remainder of this financing amounted to €6.2 million on 31.12.12.

To guarantee payment of all sums owed under this vendor financing arrangement, ZTE is entitled to:

- a pledge on the equipment supplied,
- a joint guarantee of the commitments accepted by the subsidiary Outremer Telecom SAS, issued by Groupe Outremer Telecom SA, and
- a commitment by Outremer Telecom SAS to deposit, in an escrow account, the revenue from marketing prepaid cards and from billing roaming services for mobile telephone networks in Guadeloupe and Guyana.

9.24.2.3 Agreements with Alcatel Lucent

As part of the agreements signed in July 2012 between Outremer Telecom SAS and Alcatel-Lucent France in order to deploy a microwave-links transmission network, Electro-Banque granted Outremer Telecom SAS a credit of €2.8 million, to be repaid over a period of 3 years.

On 31 December 2012, the outstandings remaining of this credit amounted to €2.2 million.

To guarantee payment of all sums owed by virtue of this credit facility, the lender has a joint lien on the commitments accepted by Outremer Telecom SAS, granted by Groupe Outremer Telecom SA.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.25 Related parties

9.25.1 Transactions with senior managers

Transactions with senior managers (members of the Management Board and the Supervisory Board) broke down as follows:

Principal officers

(in EUR 000)	31.12.2012	31.12.2011
Short-term benefits	2,384	2,594
Post-employment benefits	42	164
Other long-term benefits	94	103
End of contract compensation	—	11
Payment in shares	152	368
Total employee costs	**2,672**	**3,240**
Fees	—	—
Rentals	53	21
Total other expenses	**53**	**21**

9.25.2 Other related parties

Transactions with the parent company, OMT Invest, break down as follows:

(in EUR 000)	31.12.2012	31.12.2011
Balance Sheet—Financial Statement of Current Liabilities	9,148	—
External expenses	(576)	96
Rental income	9	—

9.26 Risk management

9.26.1 Liquidity risk

On 28 July 2012, the Group signed a 7-year credit facilities agreement with an overall value of €92.7 million, recognised for €80.4 million under liabilities on 31 December 2012.

Under this financing agreement, the Group must comply with the following financial ratios:

i—Leverage ratio (consolidated debt/consolidated EBITDA) which may not exceed a threshold decreasing from 1.80 on 31.12.12 to 1.10 on 30 June 2018.

ii—Leverage ratio (consolidated debt/consolidated EBITDA) which may not exceed a threshold of 4.50 during each half-yearly test.

iii—The coverage ratio for debt service (free cash flows/debt service), which must remain above a threshold set at 1.35 during each half-yearly test.

iv—The Group must also comply with annual **investment** caps, whose level changes according to consolidated EBITDA.

Similarly, vendor credits granted by the equipment manufacturers ZTE and Alcatel Lucent, amounting on 31.12.12 to respectively €6.2 and €2.2 million, are also tied to comply with financial ratios that are relatively comparable with those in the credit agreement although under less stringent conditions.

On 31.12.12, the Group complied with all financial ratios to which it was committed and had a significant cash position of more than €26 million.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9.26.2 Currency risk

The Group's exposure to the currency risk in connection with its commercial activities is relatively low and does not call for hedges.

The following table shows the Group's net positions, by currency, on 31 December 2012 and 31 December 2011:

	31.12.2012		31.12.2011	
Equivalent value (in EUR 000)	US dollar	Mauritian rupee	US dollar	Mauritian rupee
Assets	370	12,794	255	2,217
Liabilities	(337)	(9,708)	(725)	(538)
Net position before management	**33**	**3,086**	**(470)**	**1,679**
Off-balance sheet position	—	—	—	—
Net position after management	**33**	**3,086**	**(470)**	**1,679**

9.26.3 Credit risk

The financial instruments capable of exposing Outremer Télécom to the credit risk are primarily cash in hands and trade receivables.

Outremer Télécom believes that concentration of the trade receivables credit risk is extremely low because of the large number of customers, their diversity (residential and professional), their positioning in a range of different economic **sector**s and their geographical dispersal. Moreover, the maximum credit risk connected with these financial assets is equal to the net book value committed.

9.26.4 Rate risk

The Group's incurs debt mainly at variable rates. The Group manages exposure to the rate risk by means of different financial instruments, mainly fixed rate borrowing swaps and interest rate option purchases (tunnel purchases).

Sensitivity of financial assets and liabilities to rate risks

Sensitivity ''S'' is shown in the table below, which displays, on 31.12.12, with maturities of up to one year, from one to five years and more than five years, debt outstanding and financial assets before and after application of off balance sheet instruments.

	Due in less than one year	Due within 1 - 5 years	Due after 5 years	Total
Financial liabilities	(140,383)	(2,434)	—	(142,816)
Financial assets	55,961			55,961
Net position before management	**(84,421)**	**(2,434)**	**—**	**(86,855)**
Off-balance sheet	30,000			30,000
Net position after management	**(54,421)**	**(2,434)**	**—**	**(56,855)**

This table was prepared according to the AMF recommendation. All variable rate assets and debts are shown in the column of up to one year unless their real maturities are longer.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

S = Net position to be renewed in less than one year after management X 1% change in the short term rate X Average duration of short term rate (impact through to the end of the next financial year)

S = Net position to renew after management	X 1% variation of short-term rate	X average duration (one year) left until the end of the next financial year	= impact
(54,421)	1.0%	1	(544)

After factoring the effect of rate hedges, the impact of a 1% increase in interest rates would be €544,000. The ratio between this amount and the total amount of financial charges during the past year (€4,284,000) is 12.7%. This ratio indicates the impact, upon the Group's financial charges, of changes in rates affecting:

- financial assets and liabilities at variable rates;
- financial assets and liabilities at fixed rates whose maturity is within one year.

After factoring in rate hedges, the Group's exposure to the rate risk is mainly linked to the non-swapped fractions of senior debt (€17.8m) and to GSM equipment procurement debt (€8.4 m).

9.26.5 Equity risk

The company invests surplus cash only in money market instruments and is therefore not exposed to the equity risk.

9.26.6 Risk relating to mobile telephony licences

Under the licences granted to the Group's companies, these have agreed to comply with certain obligations, to make major investments in various networks in order to be able to offer new products and services and to pay certain specific fees. If the Group does not comply with the commitments accepted, the licences may be withdrawn, which in some cases could oblige the Group to pay compensation to the State or to other parties.

The Group's main licences are telecoms licences L.33, L.34, the GSM licence (for all DOM districts), the 3G-UMTS licence (for all DOM districts except Mayotte) and the BLR or Wimax licence (for Reunion Island, Martinique and Guadeloupe). The Group's commitments are set out in ARCEP decisions.

For the GSM licences (Decisions No. 05-0681 of 19 July 2005 and No. 06-0842 of 25 July 2006), the Group is inter alia obliged to guarantee a minimum coverage of 90% of the population in the DOM districts. The Group satisfies all its obligations with a coverage ratio of about 90% of the population as soon as it inaugurated the GSM mobile telephony networks in each of its territories

For the 3G licence (Decision N°-08-0519 of 6 May 2008), the Group has agreed to deploy its third-generation (3G) terrestrial radioelectric network to achieve coverage of 70% by May 2013. On 31 December 2012, the Group already covered more than 60% of the population in all its territories and more than 70% in the Antilles. In view of ongoing deployment, the threshold of 70% will be crossed in each administrative district before May 2013.

Lastly, when taking over the assets of XTS in 2007, the Group assumed the obligations under the BLR licences awarded to WLL Océan Indien and WLL Antilles-Guyane. These licences provide for coverage of the Wimax network amounting to 37% of the population in Martinique, 42% of Reunion Island and 44% in Guadeloupe. Although the Group is currently one of the only national operators to offer a Wimax internet access subscription to private customers, coverage has not yet reached the levels stipulated in the licences.

On 22 December 2011, ARCEP gave the Group's companies, WLL Antilles-Guyane and WLL Réunion, an official notice that their BLR networks are only partly deployed in the three administrative districts (départements) of Martinique, Guadeloupe and Reunion Island and ordering them to complete the coverage of their networks no later than 31 January 2013.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 2012, the Group carried out the deployments necessary to meet all coverage obligations ordered by ARCEP.

9.26.7 Capital management

The Group's main objective is to maintain a good equity risk rating and sound capital ratios in order to facilitate its business and to maximise shareholder value.

The Group manages its capital based on a ratio, equal to net debt divided by the sum of equity and net debt.

In view of the level of free cash flow, the Group's policy is to maintain this ratio between 50% and 80% (save in the event of a suitable opportunity).

In net debt, the Group includes interest-bearing loans and borrowings, cash and cash equivalent, except abandoned activities.

Equity includes the Group's share in capital and the unrealised gains and losses recognised directly under equity.

9.27 FINANCIAL INSTRUMENTS

	Book value		Book value	
	2012	2011	2012	2011
Financial assets				
Non-current financial assets	1,568	1,319	1,568	1,319
Tax receivables	9	12	9	12
Accounts receivable from clients	28,265	24,387	28,265	24,387
Other current assets	6,599	8,471	6,599	8,471
Cash & cash equivalents	27,696	21,232	27,696	21,232
Total financial assets	**64,137**	**55,421**	**64,137**	**55,421**
Financial liabilities				
Non-current financial debts	77,730	87,155	77,730	87,155
Short-term financial debt	16,810	15,256	16,810	15,256
Amount due to suppliers	48,276	37,795	48,276	37,795
Other short-term financial liabilities	25,317	25,042	25,317	25,042
Tax due	5,489	2,661	5,489	2,661
Total financial liabilities	**173,622**	**167,909**	**173,622**	**167,909**

The fair value of a contract is the price that would have been agreed between parties free to enter into a contract opening at arm's length. On the date of the transaction, this generally corresponds to the transaction price. The fair value must subsequently be based upon observable market data giving the most reliable indication of the fair value of a financial instrument.

The fair value of borrowings is determined by discounting the contractual flows at market interest rates.

The fair value of trade payables and trade receivables corresponds to the book value shown in the balance sheet as the effect of discounting future cash flows is not significant.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial instruments break down as follows by category:

31-Dec-2012	Book value	Fair value by profit	Fair value by equity capital	Assets held for resale	Loans and receivables	Debts at amortised cost
Financial assets						
Non-current financial assets	1,568		42		1,526	
Tax receivables	9				9	
Accounts receivable from clients	28,265				28,265	
Other current assets	6,599				6,599	
Cash & cash equivalents	27,696	27,696				
Total financial assets	**64,137**	**27,696**	**42**	**0**	**36,399**	**0**
Financial liabilities						
Non-current financial debts	77,730					77,730
Short-term financial debt	16,810		1,503			15,307
Amount due to suppliers	48,276					48,276
Other short-term financial liabilities	25,317					25,317
Tax due	5,489					5,489
Total financial liabilities	**173,622**	**0**	**1,503**	**0**	**0**	**172,119**

31-Dec-2011	Book value	Fair value by profit	Fair value by equity capital	Assets held for resale	Loans and receivables	Debts at amortised cost
Financial assets						
Non-current financial assets	1,319		42		1,277	
Tax receivables	12				12	
Accounts receivable from clients	24,387				24,387	
Other current assets	8,471				8,471	
Cash & cash equivalents	21,232	21,232				
Total financial assets	**55,421**	**21,232**	**42**	**0**	**34,147**	**0**
Financial liabilities						
Non-current financial debts	87,155					87,155
Short-term financial debt	15,256		887			14,369
Amount due to suppliers	37,795					37,795
Other short-term financial liabilities	25,042					25,042
Tax due	2,661					2,661
Total financial liabilities	**167,909**	**0**	**887**	**0**	**0**	**167,022**

Other current assets and non-current financial debts valued at fair value by result are considered to be level 2 items. Their valuation requires valuation techniques based on observable market data.

Non-current financial assets valued at fair value by equity are considered to be level 3 items. Their valuation requires valuation techniques based on non-observable market data..

9.28 Statutory auditor's fees

Pursuant to Decree No. 2008-1487 of 30 December 2008, complementing Article R. 233-14 §17 of the French Commercial Code, the following table shows the amount of fees of the Group's statutory auditors recognised in the consolidated profit & loss account for the year, distinguishing between fees billed for the legal audit of the consolidated financial statements and fees billed for other advice and services

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

directly linked to the legal audit of the consolidated financial statements. The fees mentioned for subsidiaries are connected with fully consolidated subsidiaries.

	AUDITORS							
	CONSTANTIN ASSOCIES				ERNST & YOUNG			
	AMOUNT (VAT excl.)		% of total		AMOUNT (VAT excl.)		% of total	
31-Dec-2012[a]	2012	2011	2012	2011	2012	2011	2012	2011
AUDIT								
Statutory auditors, certification, review of accounts[b]								
Issuer[1]	25,000	32,500	12%	12%	10,000	22,300	5%	9%
Subsidiaries	87,820	86,500	41%	33%	78,500	87,700	36%	34%
Other procedures and services directly linked to the duties of the Statutory Auditors[c]								
Issuer[1]	5,000		2%	0%		32,017	5%	12%
Subsidiaries			0%	0%			0%	0%
SUB-TOTAL	**117,820**	**119,000**	**54%**	**46%**	**98,544**	**142,017**	**46%**	
Other services provided by the networks to fully consolidated subsidiaries[d]								
Legal, fiscal, social								
Other (mention if >10% of audit fees)								
SUB-TOTAL	—	—	0%	0%	—	—	0%	0%
TOTAL	**117,820**	**119,000**	**54%**	**46%**	**98,544**	**142,017**	**46%**	**54%**

(a) For the period under review, services provided for the financial year and recognised in the profit & loss account.

(b) Including services of independent experts or members of the statutory auditor's network called upon for audit purposes.

(c) This heading covers services provided directly to the issuer or its subsidiaries by:

- the statutory auditor in compliance with Article 10 of the Code of Ethical Conduct,
- the statutory auditor in compliance with Article 10 of the Code of Ethical Conduct,
- a member of the network in compliance with Articles 23 and 24 of the Code of Ethical Conduct.

(d) Services other than audit services provided in compliance with Article 24 of the Code of Ethical Conduct by members of the network of the issuer's subsidiaries whose accounts were being audited.

(1) The issuer is here used to mean the parent company

9.29 Events after closure

9.29.1 Acquisition of Kertel.com's activity in the overseas administrative districts

On 5 February 2013, Outremer Telecom SAS bought a fixed telephony business (preselection and prepaid cards) operated by Kertel.com in the overseas administrative districts.

With annual sales of about €3 million, this activity was bought for €0.9 million.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Although small, this acquisition strengthens the Group's competitive position and share in the fixed telephony market, which has ceased to grow in recent years:

- In the Prepaid Cards segment, the Group is the undisputed leader in all 5 administrative districts with a market share of over 75%, foreshadowing weaker competition;
- In the Preselection segment, the customer base has been bolstered by almost 2,000 business and private customers, whom the B2C and B2B sales teams can offer additional mobile telephony and broadband internet services.

Given significant synergies with existing activities, this acquisition, despite steadily declining revenues, can be expected to improve the Group's annual ROAA by more than €0.5 m.

9.29.2 Change in mobile voice call termination rates

The work done with ARCEP on mobile call termination rates applicable from 1 January to 31 December 2013 culminated in the adoption, on 27 November 2012, of pricing Decision 2012-1502, lowering the cost of our outgoing traffic to SRR and Orange Caraibes from 2.5 to 1 euro cent per minute (excluding VAT).

The gap between the call termination rates of SRR and Orange Caraïbes and those of their parent company in Mainland France was not justified by costs and is unacceptable in terms of competition and could not continue in 2013.

Aware of the increase in unlimited offers in the overseas administrative districts at very attractive rates and queried about the very high call rates from Mainland France to our administrative districts, ARCEP argued that this single rate cap of 1 cent per minute in the ZAG and ZOI zones would foster economic conditions ''*stimulating unlimited offers for overseas mobile calls and for calls from fixed to mobile telephones. Moreover, reduction of the gap in mobile call termination rates between overseas calls and calls in Mainland France (which would be only 0.2 euro cents per minute) can be expected to encourage inclusion of calls to overseas mobile phones in packages in Mainland France*.''

The following rates were introduced on 1 January 2013:

		2012 (€cts/min)	2013 (€cts/min)
	Orange Caraïbe	2.5	**1.0**
Antilles Guyana	**Digicel**	2.5	**1.0**
	Outremer Telecom	2.8	**1.0**
	SRR	2.5	**1.0**
Indian Ocean	**Orange Réunion**	2.8	**1.0**
	Outremer Telecom	2.8	**1.0**

9.29.3 Discontinuance of CanalConnect brand licence

After 4 years, the Group has decided to terminate its brand licence contract with Canal Overseas, a subsidiary of Canal+, which allowed it inter alia to market its internet offers to Canal Overseas customers under the CanalConnect brandname.

The commercial contribution of this brand licence was not enough to justify the fee and various obligations imposed by Canal+.

Termination of this brand licence on 26 February 2013 is expected to result in significant savings without affecting the Group's commercial performance.

CONSTANTIN ASSOCIES
Member of Deloitte Touche Tohmatsu Limited

ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Groupe Outremer Telecom

Year ended December 31, 2012

Statutory auditors' report on the consolidated financial statements

CONSTANTIN ASSOCIES
Member of Deloitte Touche Tohmatsu Limited
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de € 831.330

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie—Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Groupe Outremer Telecom

Year ended December 31, 2012

Statutory auditors' report on the consolidated financial statements

To the Chairman of the Executive Board,

In our capacity as statutory auditors of Groupe Outremer Telecom and in accordance with your request, we hereby report to you on the audit of the accompanying consolidated financial statements of Groupe Outremer Telecom, for the year ended December 31, 2012.

The preparation of these consolidated financial statements is the responsibility of your executive board. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, by audit sampling and other means of testing, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets, liabilities and financial position of the consolidated group at December 31, 2012 and the results of its operations for the year ended December 31, 2012, in accordance with the IFRS as adopted by the European Union.

This report has been prepared solely for your attention and may not be used, circulated or quoted for any other purpose. If you would like this report to be distributed to a third party for a purpose other than that for which it is intended, you will need to request our prior approval in writing. We will then determine the terms and conditions for its distribution. We assume or take no responsibility towards the third party to whom the report has been distributed or made available.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from the engagement letter or the present report or any related matters. Each party irrevocably waives its right to oppose any action being brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Neuilly-sur-Seine et Paris-La-Défense, April 18, 2013

The statutory auditors

French original signed by

CONSTANTIN ASSOCIES
Member of Deloitte Touche Tohmatsu

Jean-Paul Seguret

ERNST & YOUNG et Autres

Jeremy Thurbin

green.ch AG, Brugg

Review Report to the Board of Directors

Three-month period ended March 31, 2013

KPMG AG
Audit Central Switzerland
Pilatusstrasse 41
CH-6003 Lucerne

Telephone +41 58 249 38 38
Fax +41 58 249 38 88
Internet www.kpmg.ch

Review Report to the Board of Directors of

green.ch AG, Brugg

We have been engaged to review the interim financial statements (balance sheet, income statement and notes) of green.ch AG, Brugg for the three-month period ended March 31, 2013.

These interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these interim financial statements based on our review.

We conducted our review in accordance with the Swiss Auditing Standard 910. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the company's articles of incorporation.

KPMG AG

Markus Forrer *Licensed Audit Expert*	Marco Beck *Licensed Audit Expert*

Lucerne, May 29, 2013

Enclosure:
– Interim financial statements (balance sheet, income statement and notes)

green.ch AG, Brugg

Balance Sheet	Note	31.03.2013 (unaudited)	31.12.2012
		CHF	CHF
ASSETS			
Current assets			
Cash and cash equivalents	2	503,109	3,259,949
Securities		12,184	9,432
Accounts receivable			
—from third parties	2	4,444,848	7,849,365
Other accounts receivable			
—from third parties		544,222	29,523
—from related parties		45,150	45,150
Inventories and work in progress		190,879	24,846
Prepaid expenses and accrued revenue			
—from third parties		1,820,706	754,215
—from related parties		713,935	0
		8,275,033	**11,972,480**
Long-term assets			
Financial assets			
—Loans to related parties		3,010,000	3,010,000
—Deposits		307,541	315,953
Tangible fixed assets		8,796,441	7,881,881
Intangible assets			
—Goodwill		41,972,866	43,850,085
—Other intangible assets		3,867,128	3,707,155
		57,953,976	**58,765,074**
		66,229,009	**70,737,554**

Balance Sheet	Note	31.03.2013 (unaudited)	31.12.2012
		CHF	CHF
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Accounts payable		7,596,339	7,050,137
Other payables due to			
—third parties		1,642,138	1,920,001
—related parties	2	6,034,065	5,798,416
—shareholders	2	4,226,220	4,607,964
Deferred revenue		14,237,476	17,099,737
Accrued expenses		1,344,161	2,722,410
Provisions		1,850,000	1,850,000
		36,930,399	**41,048,665**
Long-term liabilities			
Loan due to related parties	2	9,083,156	9,083,156
Other long term liabilities		2,263,391	2,272,757
		11,346,547	**11,355,913**
Shareholders' Equity			
Share capital		29,400,000	29,400,000
Loss carried forward		−11,067,024	−5,366,452
Loss for the period		−380,913	−5,700,572
		17,952,063	**18,332,976**
		66,229,009	**70,737,554**

green.ch AG, Brugg

Income Statement	01.01.2013—31.03.2013 (unaudited)	01.01.2012—31.03.2012 (unaudited)
	CHF	CHF
Revenue	11,404,282	12,020,653
Work performed by the company and capitalised	600,000	600,000
Total operating income	**12,004,282**	**12,620,653**
Cost of material and goods	–5,044,256	–5,744,080
Personnel expenses	–2,413,076	–2,258,643
Marketing expenses	–461,108	–484,974
Maintenance and repair expenses	–165,580	–195,447
General, administration and other expenses	–581,308	–783,481
Earnings before monitoring fees, depreciation, amortisation, interest and income taxes	**3,338,954**	**3,154,028**
Monitoring fees	–249,753	–209,037
Earnings before depreciation, amortisation interest and income taxes	**3,089,201**	**2,944,991**
Depreciation and amortisation	–2,960,165	–3,317,725
Profit/(loss) before interest and income taxes	**129,036**	**–372,734**
Financial income	19,158	39,903
Financial expenses	–138,355	–141,300
Profit/(loss) before income taxes	**9,839**	**–474,131**
Income taxes	–390,752	–343,800
Loss for the period	**–380,913**	**–817,931**

green.ch AG, Brugg

Notes to the Interim Financial Statements

1 Basis of preparation

The interim financial statements of green.ch AG were prepared in accordance with the Swiss Code of Obligations. They have been prepared using the historical cost convention. The accounting policies applied are consistent with those used in the financial statements for the year ended December 31, 2012.

These interim financial statements do not include all notes contained in the annual financial statements, and should for that reason be read in conjunction with the annual financial statements for the year ended December 31, 2012.

2 Pledged assets to secure own liabilities

Financing of CHF 4,226,220 provided by the shareholders and CHF 14,835,870 provided by related parties have been secured by assigning all bank balances and receivables to a bank consortium.

3 Pledged assets as collateral for own obligations

	31/03/2013	31/12/2012
	CHF	CHF
Rent deposits	307,166	301,487

4 Unrecognised leasing liabilities

	31/03/2013	31/12/2012
	CHF	CHF
Vehicles	43,467	49,097
Other equipment	324,282	343,779
	367,749	392,876

green.ch AG, Brugg

Financial Statements 2012

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders

KPMG AG
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CH-6003 Lucerne

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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

green.ch AG, Brugg

As statutory auditor, we have audited the accompanying financial statements of green.ch AG, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We recommend that the financial statements submitted to you be approved.

KPMG AG

Markus Forrer	Marco Beck
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Lucerne, 29 May 2013

Enclosures:
- Financial statements (balance sheet, income statement and notes)

Balance Sheet as per 31 December	Note	2012	2011
		CHF	CHF
ASSETS			
Current assets			
Cash and cash equivalents	4	3,259,949	2,437,616
Securities		9,432	5,808
Accounts receivable			
—from third parties	4	7,849,365	9,453,306
—from related parties		0	604,855
Other accounts receivable			
—from third parties		29,523	8,333
—from related parties		45,150	0
Inventories and work in progress		24,846	37,210
Prepaid expenses and accrued revenue		754,215	1,056,202
		11,972,480	**13,603,330**
Long-term assets			
Financial assets			
—Loans to related parties		3,010,000	3,010,000
—Deposits		315,953	309,509
Tangible fixed assets	7	7,881,881	6,332,356
Intangible assets			
—Goodwill		43,850,085	49,769,619
—Foundation and organisation costs		0	1,027,745
—Other intangible assets		3,707,155	5,005,176
		58,765,074	**65,454,405**
		70,737,554	**79,057,735**

Balance Sheet as per 31 December	Note	2012	2011
		CHF	CHF
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Accounts payable		7,050,137	5,677,741
Other payables due to			
—third parties		1,920,001	2,851,348
—related parties	4	5,798,416	4,163,679
—shareholders	4	4,607,964	7,498,086
Deferred revenue	1	17,099,737	17,689,494
Accrued expenses		2,722,410	1,931,689
Provisions		1,850,000	1,000,000
		41,048,665	**40,812,037**
Long-term liabilities			
Loan due to related parties	4	9,083,156	9,083,156
Loan due to shareholders	4	0	3,543,822
Other long term liabilities		2,272,757	1,585,172
		11,355,913	**14,212,150**
Shareholders' Equity			
Share capital		29,400,000	29,400,000
Loss carried forward		−5,366,452	−3,518,506
Loss for the year		−5,700,572	−1,847,946
		18,332,976	**24,033,548**
		70,737,554	**79,057,735**

green.ch AG, Brugg

Income Statement	Note	2012	2011
		CHF	CHF
Revenue		48,272,253	51,124,136
Work performed by the company and capitalised		2,400,000	2,400,000
Total operating income		**50,672,253**	**53,524,136**
Cost of material and goods		−22,153,670	−23,237,971
Personnel expenses		−9,101,342	−9,125,592
Marketing expenses		−1,831,004	−2,235,860
Maintenance and repair expenses		−802,488	−832,354
General, administration and other expenses		−1,732,275	−2,242,961
Earnings before monitoring fees, exceptional costs, depreciation, amortisation, interest and income taxes		**15,051,474**	**15,849,398**
Monitoring fees		−1,133,424	−1,255,198
Exceptional costs	10	−2,072,890	0
Earning before depreciation, amortisation, interest and income taxes		**11,845,160**	**14,594,200**
Depreciation and amortisation		−16,211,469	−13,049,332
Loss / profit before interest and income taxes		**−4,366,309**	**1,544,868**
Financial income		195,891	359,444
Financial expenses		−1,489,426	−2,105,712
Loss before income taxes		**−5,659,844**	**−201,400**
Income taxes		−40,728	−1,646,546
Loss for the year		**−5,700,572**	**−1,847,946**

green.ch AG, Brugg

Notes to the Financial Statements

1 General information

green.ch AG (formerly Solution25 AG) was established on April 17, 2007. As at May 1, 2007, Solution25 AG acquired 100% of the shares of TIC The Internet Company AG (formerly Solution24 AG).

On April 30, 2007, TIC The Internet Company AG ('TIC') was merged into Solution24 AG, and Solution24 AG was subsequently renamed TIC The Internet Company AG, Rotkreuz. For this purpose, the book value of the underlying investment of CHF 3,511,385 was charged directly to TIC's equity at the time of the merger and the resulting loss incurred (as a result of the merger) was capitalised as goodwill.

As at January 1, 2008 Solution25 AG acquired 100% of the shares of green.ch Holding AG. The purchase price was CHF 42,000,000 less debts of CHF 400,000 leading to a total consideration of CHF 41,600,000.

The acquired green.ch group included the following companies: One4all AG, green.ch AG, Webkurier AG, Inetconsult AG, Nexlink AG and Green invest AG. In the course of a post-acquisition corporate restructuring, all companies were merged either into TIC The Internet Company AG or green.ch Holding AG. In a further step TIC The Internet Company AG was renamed to green.ch AG. green.ch Holding AG was liquidated as per October 31, 2009.

As at June 23, 2010 green.ch AG was merged into Solution25 AG retroactive per January 1, 2010. In an further step Solution25 AG was renamed to green.ch AG and changed it's registred office from Zug to Brugg. The merger loss of CHF 23,295,777 was capitalised.

As at July 16, 2012 green.ch AG acquired 100% of the shares of Genotec AG. The purchase price was CHF 1. As at November 30, 2012 Genotec AG was merged into green.ch AG retroactive per July 1, 2012. The merger loss of CHF 1,513,556 was capitalised.

Deferred revenue represents billed subscriptions for services to be provided in 2013. Revenue will be recognised monthly based on individual subscription contracts.

2 Principles of accounting policies

The financial statements have been prepared and are presented in accordance with the Swiss Code of Obligations. They have been prepared using the historical cost convention.

Assets are stated at cost less any necessary value adjustments.

Goodwill is amortised on a straight-line basis over a period of ten years.

3 Valuation principles

Cash and cash equivalents

Cash and cash equivalents include cash in hand, postal giro accounts and bank balances. These have been carried at nominal value. Foreign currency accounts are valued at the rate prevailing at the balance sheet date.

Accounts receivable

Accounts receivable are stated at nominal value less any necessary specific value adjustments.

Tangible fixed assets

Tangible fixed assets are stated at cost less straight-line depreciation. Depreciation is calculated on a straight-line basis over three to five years.

Intangible fixed assets and foundation and organisation costs

Intangible assets are stated at cost less straight-line amortisation. The amortisation period is determined on the useful life of the asset. Capitalised costs are usually amortised over a period of three to five years.

3 Valuation principles (Continued)

Goodwill

The carrying amounts of the non-current assets are reviewed at each annual balance sheet date or earlier if a significant event has occurred to determine whether there is any indication of impairment of value. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the risks specific to the asset.

Income taxes

Current income tax payable is the expected tax payable on the taxable profit using tax rates enacted at the balance sheet date.

4 Pledged assets to secure own liabilities

Financing of CHF 4,607,964 provided by the shareholders and CHF 14,514,441 provided by related parties have been secured by assigning all bank balances and receivables to a bank consortium.

5 Pledged assets as collateral for own obligations

	31 December 2012	31 December 2011
	CHF	CHF
Rent deposits	301,487	291,600

6 Unrecognised leasing liabilities

Vehicles	49,097	8,030
Other equipment	343,779	460,069
	392,876	468,099

7 Fire insurance value of tangible fixed assets

Tangible fixed assets	14,940,000	14,940,000

8 Liabilities to pension funds

Aetas pension fund	132,898	92,584

9 Risk assessment

The risk assessment process is based on a continuously updated SWOT analysis and information obtained through interviews of key personnel. The risks are then categorized and concrete actions are defined in the Board meetings. Board meetings are held regularly at least six times a year.

10 Exceptional costs

In the context of the acquisition of and the merger with Genotec AG, exceptional costs arose as follows:

	31 December 2012	31 December 2011
	CHF	CHF
Provision for maintenance	500,000	0
Personnel expenses	497,642	0
Provisions for bad debt losses	260,000	0
Unused services & rental fees (until end of contract)	284,000	0
Write-off of financial assets	181,248	0
Total extraordinary items related to Genotec	**1,722,890**	**0**
Other exceptional costs within green.ch	350,000	0
Total exceptional costs	**2,072,890**	**0**

Martinique TV Câble

Société Anonyme

Zone de la Jambette
97232 Le Lamentin

Statutory auditor's report on the financial statements composed of a balance sheet and a profit & loss statements

For the three month period ended March 31st, 2013

Deloitte.

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Martinique TV Câble

Société Anonyme

Zone de la Jambette
97232 Le Lamentin

Statutory auditor's report

on the financial statements composed of a balance sheet and profit & loss statements

For the three month period ended March 31st, 2013

To the President of the Board,

As statutory auditor of Martinique TV Câble and at your request in connection with the contemplated bond issuance by Altice VII, we have reviewed the accompanying financial statements composed of a balance sheet as at March 31st, 2013 and a profit & loss statements for the three month period ended March 31st, 2013 (thereafter ''the financial statements'').

These financial statements were prepared under the responsibility of the President of the Board in the context described above and as they are not intended to be addressed to shareholders have not been approved by the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

Société anonyme au capital de 1 723 040 €
Société d'Expertise Comptable inscrite au Tableau de l'Ordre du Conseil Régional de Paris Ile-de-France
Société de Commissaires aux Comptes, membre de la Compagnie régionale de Versailles
572 028 041 RCS Nanterre
TVA : FR 02 572 028 041

Member of Deloitte Touche Tohmatsu Limited

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the recognition and measurement principles disclosed in the notes to the financial statements.

Without qualifying our opinion, we draw your attention to:

- note 1.2 to the financial statements which indicates the context in which the financial statements have been prepared on a going concern basis;
- note 1.1 to the financial statements which explains that the financial statements have been prepared in the context of the contemplated bond issuance mentioned above and, as such, do not represent a full set of financial statements with regard to accounting principles generally accepted in France. Under these accounting standards, only a complete set of financial statements together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at a period end, and of the results of its operations for the period then ended.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

We accept no responsibility towards any third parties to whom this report is distributed or who obtain a copy by any other means.

This report is governed by, and construed in accordance with, French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, May 30, 2013
The Statutory Auditor
Deloitte & Associés

Christophe Saubiez

MTVC—Thousands Euros—French Gaap	March 31, 2012	March 31, 2013
ASSETS		
Cash and Cash equivalents	63	415
Restricted cash		
Trade reveivables	707	1 113
Other receivables	2 631	5 724
Inventories	8	
Total current assets	**3 409**	**7 252**
Long-term trade receivables		
Investment in financial assets available for sale		
Other long-term receivables		
Fixed assets	18 690	18 443
Intangible assets		
Goodwill		
Deferred taxes		
Total non-current assets	**18 690**	**18 443**
TOTAL ASSETS	**22 100**	**25 695**
EQUITY AND LIABILITIES		
Credit from banking corporations and debentures		
Trade payables	7 628	8 339
Other payables	552	1 255
Short-term loans from related parties		
Provision for legal claims	871	821
Total current liabilities	**9 051**	**10 415**
Loans from banking corporations and debentures		
Long-term loans from related parties	9 628	9 004
Other long-term liabilities		
Advances received from the terminal equipment Installation		
Employee benefit liabilities		
Deferred Taxes		
Total non-current liabilities	**9 628**	**9 004**
Share capital	3 513	3 513
Share premium		
Treasury shares		
Principal from share-based payment		
Capital reserve from available for sale financial asset		
Accumulated profit (loss)	−93	2 762
Total equity	**3 420**	**6 275**
TOTAL EQUITY AND LIABILITIES	**22 100**	**25 695**

MTVC—Thousand Euros French GAAP	March 31, 2012	March 31, 2013
Revenues	**3 146**	**3 095**
Other operating expenses	1 305	1 216
Selling and marketing expenses	182	115
General and administrative expenses	135	75
EBITDA	**1 524**	**1 689**
Depreciation and amortization	671	674
Other(revenues)/expenses, net	32	32
Reorganisation/Extraordinary expenses	−71	29
Management Fees	290	275
Operating profit	**602**	**680**
Financing income	−6	−4
Financing expenses	109	92
Profit before taxes on revenue	**499**	**592**
Taxes on revenue		
Net Income	**499**	**592**

Notes to the Financial Statements

The Financial Statements of MTVC (''The Company'') are composed of a balance sheet and a profit & Loss statements for the three month period ended March 31st, 2013. MTVC is owned at 99,99% subsidiary of Altice Blue One (''ABO''), which is wholly-owned by Altice VII.

This Financial Statements were prepared under the responsibility of the management of MTVC in the context of a contemplated bond issuance by Altice VII.

1. BASIS OF PREPARATION

1.1 Context of preparation

The Financial Statements have been prepared according to recognition and measurement principles accepted under French GAAP.

The Financial Statements for the three month period ended March 31st, 2013 have been prepared in the context of a contemplated bond issuance and, as such, do not represent a full set of financial statements with regard to accounting principles generally accepted in France. Under these accounting standards, only a complete set of financial statements together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at a period end, and of the results of its operations for the period then ended

1.2 Going concern assumption

The going concern assumption is based on the financial support received from Altice Blue One which holds 99,99% of MTVC. This financial support has been granted in order to enable MTVC to continue its business under normal condition until the Shareholders' meeting which will approve financial statements as of December 31, 2013.

A. Notes

(1) Property, plant and equipment

Tangible assets are measured at their acquisition cost or production cost, less any accumulated amortization and impairment. Certain costs included in property, plant and equipment correspond to capitalized costs as they qualify for recognition as an asset.

Tangible assets are depreciated over a period comprised between 3 and 20 years, depending on the nature of related assets:

Construction	10 to 20 years
Improvements	6 to 12 years
Transportation	4 years
IT	3 to 10 years
IRU	15 years

(2) Revenue

Revenue is recognized once the service is provided to the customer. Promotions granted to customers in the form of free or discounted services, including promotional offers on packs, are immediately recognized as a reduction of revenue.

(3) Leases

Leases are classified as operating leases. Assets held under finance leases are not recognised as assets and the corresponding liability to the lessor is not recorded in the balance sheet as lease obligations, under financial debt.

(4) Receivables and Payables

Receivables and payables are measured at their nominal value.

An allowance for impairment is recorded for trade receivables if their present value falls below their book value. Present value is determined based on the age of the receivables and the collectability risk.

1. BASIS OF PREPARATION (Continued)

(5) Provisions for Contingencies and Liabilities

- **General Considerations**

The Company records provisions for contingent liabilities which are defined as liabilities with no precise maturity date or amount. A liability is something that has negative economic value for the Company, as it represents the Company's obligation to a third party which will probably or certainly lead to the use of resources for the benefit of the third party, and for which no consideration is expected.

- **Provision for Litigation**

Disputes are provisioned on a case-by-case basis to reflect the associated risk. The Company estimates risk based on the assessments of its advisors.

- **Provision for Retirement Benefits**

Rights vested in employees to conventional retirement benefits were evaluated on a case-by-case basis, taking into account the employee's age, length of service in the Company and salary, according to the terms of their employment agreement.

Provision for Retirement Benefits is not recorded on the Financial Statements of MTVC as it is an option under French Gaap.

(6) Distinction between Extraordinary Income and Ordinary Income

Expenses and income classified as extraordinary items represent transactions that the Company does not consider to be related to ordinary operations, particularly when they are non-recurring.

(7) EBITDA

EBITDA corresponds to Earnings Before Interests Taxes Depreciation and Amortization. However Depreciation on receivables is recorded under the EBITDA.

(8) Management fees

ABO Management fees are recorded as G&A expenses. Other management fees are recorded separately under the EBITDA.

MARTINIQUE TV CABLE

Société Anonyme (Limited liability company)

Zone de la Jambette
97232 Le Lamentin

Statutory Auditor's Report on the Financial Statements

Year ended December 31, 2012

MARTINIQUE TV CABLE

Société Anonyme

Zone de la Jambette
97232 Le Lamentin

Statutory Auditor's Report on the Financial Statements

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditor's report on the financial statements issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditor's report on the financial statements includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as auditors by your shareholders' meeting, we hereby report to you for the year ended December 31, 2012 on:

- the audit of the accompanying financial statements of Martinique TV Cable,
- the justification of our assessments,
- and the specific verifications and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and financial position of the Company as of December 31, 2012 and the results of its operations for the year then ended in accordance with French accounting regulations.

Without qualifying the above opinion, we draw your attention to the Note ‘‘Major events of the year’’ disclosing the context in which the going concern principle was applied.

II. Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby inform you that the assessments which we have performed covered the appropriateness of the accounting policies adopted.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

III. Specific verifications and disclosures

We have also performed the specific verifications required by law, in accordance with professional standards applied in France.

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the Board of Directors’ management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Neuilly-sur-Seine, May 16, 2013

The Statutory Auditor

Deloitte & Associés

Christophe Saubiez

BALANCE SHEET—ASSETS

	Accounting period ended December 31, 2012 (12 months)			31-Dec-11 (12 months)
(In euros)	GROSS	DEPRECIATION, AMORTIZATION, PROVISIONS	NET	NET
Capital subscribed but not called				
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Preliminary expenses				
Research & development expenditure				
Concessions, patents, licenses, software, and similar rights	2,591,726	2,071,666	520,060	639,023
Purchased goodwill				
Other intangibles				
Payments on account—intangible assets				
PROPERTY, PLANT AND EQUIPMENT				
Land	620	6	614	
Buildings	1,250,760	616,991	633,769	630,238
Industrial and technical plant	29,999,141	17,887,976	12,111,164	13,879,102
Other plant and equipment	1,013,225	689,746	323,478	177,292
PP&E under construction	186,282	35,584	150,698	55,317
Payments on account—PP&E	3,951,677		3,951,677	2,260,529
LONG-TERM INVESTMENTS				
Equity affiliates				
Other participating interests	5,641	5,641		
Loans to participating interests				
Other long-term investment securities				
Loans	597,598		597,598	706,880
Other long-term financial assets	57,599		57,599	57,599
TOTAL	**39,654,267**	**21,307,610**	**18,346,656**	**18,405,980**
CURRENT ASSETS				
Raw materials & supplies				
Work-in-progress—goods				
Work-in-progress—services				
Semi-finished and finished goods				
Bought-in goods				
Payments on account for orders placed	125,847		125,847	125,847
ACCOUNTS RECEIVABLE				
Trade receivables and related accounts	1,548,570	1,052,423	496,147	562,699
Debit vendor balances				48,645
Employees	6,139		6,139	2,879
Social security institutions	3,642		3,642	14,654
Tax credits (taxes on income)				
Tax credits (VAT)	512,073		512,073	509,458
Other receivables	4,616,730	61,140	4,555,591	1,740,634
OTHER CURRENT ASSETS				
Cash and cash equivalents	105,702		105,702	51,614
Prepayments	31,931		31,931	34,858
TOTAL	**6,950,634**	**1,113,562**	**5,837,072**	**3,091,286**
Deferred charges				
Unrealized foreign exchange losses				
GRAND TOTAL	**46,604,901**	**22,421,173**	**24,183,728**	**21,497,266**

BALANCE SHEET—LIABILITIES AND SHAREHOLDERS' EQUITY

(In euros)	Accounting period ended December 31, 2012 (12 months)	31-Dec-11 (12 months)
SHAREHOLDERS' EQUITY		
Share capital (of which paid in: 3,512,835)	3,512,835	3,512,835
Additional paid-in capital		
Revaluation reserve		
Legal reserve		
Reserves required under the bylaws or contractually		
Tax-driven reserves		
Other reserves		
Accumulated deficit	(591,825)	(4,890)
Net income (loss) for the period	2,762,578	(586,935)
Investment subsidies		
Tax-driven provisions		
TOTAL	**5,683,588**	**2,921,010**
EQUITY EQUIVALENTS		
Proceeds from issues of participating securities		
Subordinated loans		
PROVISIONS FOR CONTINGENCIES AND LOSSES		
Provisions for contingencies	821,188	871,330
Provisions for losses		
TOTAL	**821,188**	**871,330**
LIABILITIES		
Borrowings		
Convertible bonds		
Other bonds		
Bank borrowings—overdrafts and credit facilities	32,839	51,593
Other borrowings	7,316,969	8,536,004
Payments received on account for work-in-progress		
Operating liabilities		
Trade payables and related accounts	6,235,151	6,364,640
Employees	131,822	115,850
Social security institutions	77,334	84,320
Taxes on income		
VAT	14,032	1,440
Other taxes	61,844	112,048
Other liabilities		
Amounts payable in respect of fixed assets and related a/cs	1,800,617	1,232,867
Other liabilities	1,898,414	1,124,895
Deferred income and miscellaneous		
Deferred income	109,930	81,272
TOTAL	**17,678,952**	**17,704,927**
Unrealized foreign exchange gains		
GRAND TOTAL	**24,183,728**	**21,497,266**

INCOME STATEMENT FOR THE YEAR

	Accounting period ended December 31, 2012 (12 months)			31-Dec-11 (12 months)
(In euros)	France	Export	Total	Total
OPERATING REVENUES				
Sales of own |{goods	10,406,747		10,406,747	9,361,270
|{services	2,479,562		2,479,562	2,532,288
Net sales	**12,886,309**		**12,886,309**	**11,893,559**
Change in inventories of own production of goods and services				
Own production of goods and services capitalized			358,783	284,046
Operating subsidies			(101)	
Write-back of depreciation, amortization and provisions, expense reclassifications			210,409	45,525
Other revenues			374	10
TOTAL			**13,455,775**	**12,223,140**
OPERATING EXPENSES				
Purchases of raw materials and other supplies (including customs duties)			2,062,416	1,916,057
Other purchases and external charges			3,839,374	3,954,299
Duties and taxes other than corporate income tax			81,271	69,596
Wages and salaries			924,336	894,162
Employee welfare contributions and similar charges			469,413	451,497
Depreciation, amortization & charges to provisions (operating)				
On non-current assets |{Depreciation and amortization			2,683,018	2,334,648
|{Charges to provisions				609,796
On current assets: charges to provisions			348,418	335,581
For contingencies and losses: charges to provisions				259,776
Other charges			112,266	40,368
TOTAL			**10,520,514**	**10,865,780**
NET OPERATING INCOME			**2,935,261**	**1,357,359**
FINANCIAL INCOME				
Financial income from participating interests				
Revenues from other marketable securities and long-term loans			19,764	22,947
Foreign exchange gains			588	170
Net proceeds from sale of marketable securities				
TOTAL			**20,351**	**23,117**
FINANCIAL EXPENSES				
Amortization and charges to provisions for financial items				4,573
Interest and similar charges			389,495	468,225
Foreign exchange losses			2,067	1,863
Net charges on sales of marketable securities				
TOTAL			**391,562**	**474,662**
NET INCOME (LOSS) FROM FINANCIAL ITEMS			**(371,211)**	**(451,545)**
NET INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX			**2,564,050**	**905,815**

INCOME STATEMENT FOR THE YEAR (Continued)

(In euros)	Accounting period ended December 31, 2012 (12 months)	31-Dec-11 (12 months)
EXCEPTIONAL INCOME		
Exceptional income from non-capital transactions	497,784	458,115
Exceptional income from capital transactions		9,500
Write-back of provisions and expense reclassifications		
TOTAL	**497,784**	**467,615**
EXCEPTIONAL CHARGES		
Exceptional charges on non-capital transactions	249,114	1,897,224
Exceptional charges on capital transactions		9,285
Exceptional depreciation, amortization and charges to provisions	50,142	53,856
TOTAL	**299,256**	**1,960,365**
NET EXCEPTIONAL ITEMS	**198,528**	**(1,492,750)**
Statutory employee profit-sharing scheme		
Corporate income tax		
Total income	**13,973,910**	**12,713,872**
Total expenses	**11,211,332**	**13,300,807**
NET INCOME (LOSS) FOR THE PERIOD (total income less total expenses)	**2,762,578**	**(586,935)**

Notes

Notes to the balance sheet (prior to appropriation of results) for the fiscal year ended December 31, 2012, disclosing total assets of €24,183,727.81, and to the income statement for the year disclosing net income of €2,762,578.01.

The accounting period was for twelve months from January 1 to December 31, 2012.

The notes and tables hereafter are an integral part of the Company's financial statements.

The previous accounting period was for twelve months from January 1 to December 31, 2011.

Main events of the period

The company has received support from Altice Blue One (which holds 99.99% of the company's share capital) in order to enable pursuit of the company's operations as a going concern until the date of approval of its financial statements for the fiscal year ended December 31, 2013.

Events after the reporting date

Nothing to report.

Accounting policies

The Company's accounting policies have been prudently applied in accordance with the following underlying assumptions:

- Going concern;
- Consistency;
- Accrual basis;

and with the other requirements generally applicable to the preparation and presentation of annual financial statements.

Unless stated otherwise, items are recognized in the Company's balance sheet at historical cost and amounts are expressed in euro.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are recognized at acquisition cost or production cost, including the expenditure directly attributable to making them ready for use, net of any rebates or discounts obtained.

The following decisions have been made in respect of financial statement presentation:

- Decomposable assets: the company has been unable to determine any decomposable assets or any decomposition that was possible would not have had any material impact;
- Non-decomposable assets: the company has opted for the measure of tolerance allowing it to continue to apply its existing rates of depreciation.

Any borrowing costs applicable to assets measured at production cost are not included in production cost.

Depreciation is charged on a straight-line or reducing balance basis reflecting the following estimated useful lives:

Computer software	1–3 years
Patents	7 years
Land improvements	6–10 years
Buildings	10–20 years
Fixtures and fittings	12 years
Industrial plant and tooling	5 years
Fixtures, fittings and installations	6–10 years
Vehicles	4 years
Office and computer equipment	3–10 years
Furniture	5–10 years
IRU	15 years

FINANCIAL ASSETS

Financial assets are initially recognized at cost of acquisition net of incidental expenses. Impairment allowances are subsequently recognized for any excess of assets' carrying amounts over their fair values.

RECEIVABLES AND PAYABLES

Receivables and payables are initially recognized on the basis of their nominal amounts. Impairment allowances are subsequently recognized for any excess of assets' carrying amounts over their recoverable amounts.

PROVISIONS FOR CONTINGENCIES AND LOSSES

Provisions are recognized when, at the balance sheet date, the entity has a present (legal, regulatory, contractual or constructive) obligation towards a third party which it is probable that a net outflow of resources embodying economic benefits will be required to settle. The amounts of provisions are estimated to reflect the probable amounts of those net outflows based on the information available to the company at the time of issuance of the financial statements.

EXCEPTIONAL ITEMS

Exceptional income and expenses are those items not forming part of the company's recurring activity.

Changes in accounting policies and methods

The financial statements for the current period have been prepared and presented on the same bases as for the previous year.

The financial statements have in particular been prepared in compliance with:

- The French national chart of accounts in its version of 1999 adopted on June 22, 1999;
- Articles L.123-12 to L.123-28 of the French Commercial Code.

Additional information required for fair presentation

No additional information is required.

Non-current assets

	Gross opening amounts	New assets acquired or produced	Assets disposed of	Gross closing amounts
Intangible assets	2,591,726			2,591,726
Land		620		620
Buildings on owned land	622,922			622,922
Buildings on leased land	26,723			26,723
Fixtures and fittings	591,748	9,367		601,115
Industrial installations, equipment and tooling	29,319,953	679,188		29,999,141
Other installations, fixtures and fittings	549,226	14,288		563,514
Vehicles	62,787			62,787
Office and computer equipment and furniture	179,522	207,401		386,923
Assets under construction	55,317	130,965		186,282
Payments on account	2,260,529	1,691,148		3,951,677
TOTAL	**33,668,727**	**2,732,977**		**36,401,703**
Other participating interests		5,641		5,641
Loans and other long-term financial assets	764,479		109,282	655,197
TOTAL	**764,479**	**5,641**	**109,282**	**660,838**
GRAND TOTAL	**37,024,932**	**2,738,618**	**109,282**	**39,654,267**

Depreciation and amortization

	Opening amounts	Charges for the year (straight-line basis)	Closing amounts
Intangible assets	1,342,906	118,964	1,461,870
Land		6	6
Buildings on owned land			
Buildings on leased land	26,723		26,723
Fixtures and fittings	584,432	5,836	590,268
Industrial installations, equipment and tooling	15,440,851	2,447,125	17,887,976
Other installations, fixtures and fittings			
Vehicles	61,963	550	62,513
Office and computer equipment and furniture	122,901	32,223	155,124
TOTAL	**16,236,871**	**2,485,740**	**18,722,610**
GRAND TOTAL	**17,579,777**	**2,604,704**	**20,184,480**

Provisions and impairment allowances

	Opening balances	Increases charged to profit or loss	Amounts used or no longer required	Closing balances
Provision for litigation	**871,330**		**50,142**	**821,188**
Impairment allowances:				
—For intangible assets	609,796			609,796
—For PP&E		35,584		35,584
—For other participating interests	5,641			5,641
—For trade receivables	876,959	385,873	210,409	1,052,423
—For other assets	98,595		37,455	61,140
Total impairment allowances	**1,590,990**	**421,457**	**247,864**	**1,764,583**
GRAND TOTAL	**2,462,320**	**421,457**	**298,006**	**2,585,771**
Of which:				
—Operating charges/releases		421,457	247,864	
—Exceptional charges/releases			50,142	

Breakdown of receivables and payables by maturity

RECEIVABLES	Gross balance	≤ 1 year	> 1 year
Loans	597,598		597,598
Other non-current financial assets	57,599		57,599
Doubtful or disputed debts	1,039,839	1,039,839	
Other trade receivables	508,731	508,731	
Employees	6,139	6,139	
Social security institutions	3,642	3,642	
Tax credits (VAT)	512,073	512,073	
Tax credits (other taxes exc. on income)	2,428	2,428	
Other receivables	4,614,302	4,614,302	
Prepayments	31,931	31,931	
GRAND TOTAL	**7,374,283**	**6,719,086**	**655,197**

PAYABLES	Gross balance	≤ 1 year	> 1 year ≤ 5 years
Short-term bank borrowings	32,839		32,839
Other borrowings	7,316,969		7,316,969
Trade payables	6,235,151	6,235,151	
Employees	131,822	131,822	
Social security institutions	77,334	77,334	
VAT liabilities	14,032	14,032	
Liabilities for other taxes exc. on income	61,844	61,844	
Amounts payable in respect of fixed assets and related a/cs	1,800,617	1,800,617	
Other liabilities	1,898,414		1,898,414
Deferred income	109,930	109,930	
GRAND TOTAL	**17,678,952**	**8,430,730**	**9,248,222**

Accrued income

	Amount inclusive of VAT
Accrued income included in the following balance sheet line items:	
—Trade receivables	9,876
—Other receivables	3,324
TOTAL	**13,200**

Accrued expenses

	Amount inclusive of VAT
Accrued expenses included in the following balance sheet line items:	
—Other borrowings	7,300,468
—Trade payables	2,704,835
—Employees and social security institutions	137,088
—Other liabilities	81,741
TOTAL	**10,224,132**

Prepayments and deferred income

	Prepayments	Deferred income
Operating items	31,931	109,930
TOTAL	**31,931**	**109,930**

Prepayments comprise certain invoices from operating suppliers relating to 2013.

Share capital

The company's opening and closing share capital comprised 234,189 shares with a par value of €15 each.

Statement of changes in equity

	Amount
Shareholders' equity at the end of 2011 prior to the AGM	2,921,010
Dividend distributed	
Opening shareholders' equity for 2012	**2,921,010**
Change in accumulated deficit	(586,935)
Appropriation of the net loss for 2011	586,935
Closing shareholders' equity excl. net income for 2012	**2,921,010**
Net income for 2012	2,762,578
Closing shareholders' equity for 2012	**5,683,588**

Identity of the consolidating parent

On January 1, 2009 the company opted (with effect from the fiscal year commencing on that date) for the tax consolidation arrangement provided for by articles 223 A and following of the French Tax Code.

MTVC is thus part of the tax group which has Altice Blue One SAS as its consolidating parent.

Breakdown of net sales

	Amount
Breakdown by operating segment	
Sales of own goods	10,406,747
Sales of own services	2,479,562
TOTAL	**12,886,309**
Breakdown by geographical zone	
France	12,886,309
Export	
TOTAL	**12,886,309**

Breakdown of corporate income tax

	Profit before tax	Corporate income tax
Ordinary items	2,564,050	
Exceptional items	198,528	
Total profit before tax	2,762,578	

Note that the company possesses tax losses carried forward, the amount of which may eventually be impacted by the tax inspection currently in progress.

Financial commitments

In the framework of the financial restructuring of Altice Blue One Group, a loan agreement has been signed between Altice Blue One and MTVC Le Câble providing for the lender to make a sum of €5,035,711 available to the borrower. The loan has been guaranteed by a pledge of all MTVC's bank account balances as of the date of signature of the loan agreement.

MTVC and ATV have entered into a barter agreement under which MTVC undertakes to make the programs of its TF1, M6 and BFM channels available to ATV in return for which ATV will provide free broadcasting of adverts for the cable operator.

The summary of charges on assets delivered on January 20, 2012 by the Fort-de-France commercial court did not disclose any outstanding charge.

Directors' remuneration

No remuneration was paid to Board members in respect of 2012.

Average employees

The company had an average of 21 employees.

It may be noted that employees' individual training entitlement amounted to 1,386 hours as of December 31, 2012.

Post-employment benefit obligation

The company's obligation (inclusive of social contributions) as of December 31, 2012 for the lump-sum benefits on retirement provided for by the applicable collective bargaining agreement amounted to €110,340.94 assuming employees' voluntary retirement at 65.

The company's main calculation assumptions were as follows

Annual salary increases	1.50%
Long-term interest rate	3.33% (10 year Treasury bonds)
Calculation performed as of	12/31/2012
Accounting period beginning on	01/01/2012
Age of retirement	65
Probability of presence in the company at age 65	0.98
Probability of survival until age 65	INSEE 2004/2006—T68 mortality table
Applicable collective bargaining agreement	Telecommunications industry (art. 4-4-1-2 & 4-4-2)

Deferred tax assets and liabilities

	Tax basis amount
Items increasing future taxable profits	**NIL**
Items decreasing future taxable profits:	
—Accrued Organic tax not deductible until paid	20,468
—Accrued building levy not deductible until paid	4,356
TOTAL	**24,824**
Nature of temporary differences:	
—Depreciation deferred for tax purposes	
—Tax losses carried forward	
—Long-term capital losses carried forward	

Breakdown of exceptional income and expenses

	Exceptional expenses
Miscellaneous adjustments to royalty payments etc.	49,275
Prior year adjustments	199,839
Exceptional charges to provisions for contingencies	50,142
TOTAL	**299,256**

	Exceptional income
Miscellaneous adjustments	375,183
Prior year adjustments	122,601
TOTAL	**497,784**

Related party items included in balance sheet or income statement line items

	Related party amount
Loans	597,598
Miscellaneous borrowings	7,300,468
Financial expense	389,495

World Satellite Guadeloupe

Société Anonyme

267, rue Robert Fulton
97122 Baie-Mahaut

Statutory auditor's report on the financial statements composed of a balance sheet and a profit & loss statements

For the three month ended March 31st, 2013

Deloitte.

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World Satellite Guadeloupe

Société Anonyme

267, rue Robert Fulton
97122 Baie-Mahaut

Statutory auditor's report on the financial statements composed of a balance sheet and a profit & loss statements

For the three month period ended March 31st, 2013

To the President of the Board,

As statutory auditor of World Satellite Guadeloupe and at your request in connection with the contemplated bond issuance by Altice VII, we have reviewed the accompanying financial statements composed of a balance sheet as at March 31st, 2013 and a profit & loss statements for the three month period ended March 31st, 2013 (thereafter ''the financial statements'').

These financial statements were prepared under the responsibility of the President of the Board in the context described above and as they are not intended to be addressed to shareholders have not been approved by the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

World Satellite Guadeloupe

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the recognition and measurement principles disclosed in the notes to the financial statements.

Without qualifying our opinion, we draw your attention to:

– note 1.2 to the financial statements which indicates the context in which the financial statements have been prepared on a going concern basis;

– note 1.1 to the financial statements which explains that the financial statements have been prepared in the context of the contemplated bond issuance mentioned above and, as such, do not represent a full set of financial statements with regard to accounting principles generally accepted in France. Under these accounting standards, only a complete set of financial statements together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at a period end, and of the results of its operations for the period then ended.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

We accept no responsibility towards any third parties to whom this report is distributed or who obtain a copy by any other means.

This report is governed by, and construed in accordance with, French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, May 30, 2013
The Statutory Auditor
Deloitte & Associés

Christophe Saubiez

WSG—Thousands of Euros French Gaap	March 31, 2012	March 31, 2013
ASSETS		
Cash and Cash equivalents	92	451
Restricted cash		
Trade reveivables	1 223	2 294
Other receivables	736	1 096
Inventories		
Total current assets	**2 051**	**3 841**
Long-term trade receivables		
Investment in financial assets available for sale	1 192	895
Other long-term receivables	125	27
Fixed assets	19 234	18 622
Intangible assets		
Goodwill		
Deferred taxes		
Total non-current assets	**20 551**	**19 544**
TOTAL ASSETS	**22 602**	**23 384**
EQUITY AND LIABILITIES		
Credit from banking corporations and debentures		
Trade payables	9 060	8 784
Other payables	638	1 159
Short-term loans from related parties		
Provision for legal claims	229	311
Total current liabilities	**9 927**	**10 254**
Loans from banking corporations and debentures		
Long-term loans from related parties	19 211	20 217
Other long-term liabilities	685	685
Advances received from the terminal equipment Installation		
Employee benefit liabilities		
Deferred Taxes		
Total non-current liabilities	**19 896**	**20 902**
Share capital	1 200	1 200
Share premium		
Treasury shares		
Principal from share-based payment		
Capital reserve from available for sale financial asset		
Accumulated profit(loss)	−8 421	−8 972
Total equity	**−7 221**	**−7 772**
TOTAL EQUITY AND LIABILITIES	**22 602**	**23 384**

Thousand Euros WSG—French GAAP	March 31, 2012	March 31, 2013
Revenues	**2 835**	**2 948**
Other operating expenses	1 312	1 056
Selling and marketing expenses	207	241
General and administrative expenses	165	159
EBITDA	**1 151**	**1 492**
Depreciation and amortization	870	879
Other (revenues)/expenses, net	51	52
Reorganisation/Extraordinary expenses	(20)	(40)
Management Fees	137	250
Operating profit	**113**	**852**
Financing income	(9)	(7)
Financing expenses	181	147
Profit before taxes on revenue	(59)	176
Taxes on revenue		
Net Income	**(59)**	**212**

Notes to the Financial Statements

The Financial Statements of WSG (''The Company'') are composed of a balance sheet and a profit & Loss statements for the three month period ended March 31st, 2013. WSG is owned at 99,99% subsidiary of Altice Blue One (''ABO''), which is wholly-owned by Altice VII.

This Financial Statements were prepared under the responsibility of the management of WSG in the context of a contemplated bond issuance by Altice VII.

1. BASIS OF PREPARATION

1.1 Context of preparation

The Financial Statements have been prepared according to recognition and measurement principles accepted under French GAAP.

The Financial Statements for the three month period ended March 31st, 2013 have been prepared in the context of a contemplated bond issuance and, as such, do not represent a full set of financial statements with regard to accounting principles generally accepted in France. Under these accounting standards, only a complete set of financial statements together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at a period end, and of the results of its operations for the period then ended

1.2 Going concern assumption

The going concern assumption is based on the financial support received from Altice Blue One which holds 99,99% of WSG. This financial support has been granted in order to enable WSG to continue its business under normal condition until the Shareholders' meeting which will approve financial statements as of December 31, 2013.

A. Notes

(1) Property, plant and equipment

Tangible assets are measured at their acquisition cost or production cost, less any accumulated amortization and impairment. Certain costs included in property, plant and equipment correspond to capitalized costs as they qualify for recognition as an asset.

Tangible assets are depreciated over a period comprised between 3 and 20 years, depending on the nature of related assets:

Construction	10 to 20 years
Improvements	6 to 12 years
Transportation	4 years
IT	3 to 10 years
IRU	15 years

(2) Revenue

Revenue is recognized once the service is provided to the customer. Promotions granted to customers in the form of free or discounted services, including promotional offers on packs, are immediately recognized as a reduction of revenue.

(3) Leases

Leases are classified as operating leases. Assets held under finance leases are not recognised as assets and the corresponding liability to the lessor is not recorded in the balance sheet as lease obligations, under financial debt.

(4) Receivables and Payables

Receivables and payables are measured at their nominal value.

1. BASIS OF PREPARATION (Continued)

An allowance for impairment is recorded for trade receivables if their present value falls below their book value. Present value is determined based on the age of the receivables and the collectability risk.

(5) Provisions for Contingencies and Liabilities

- **General Considerations**

The Company records provisions for contingent liabilities which are defined as liabilities with no precise maturity date or amount. A liability is something that has negative economic value for the Company, as it represents the Company's obligation to a third party which will probably or certainly lead to the use of resources for the benefit of the third party, and for which no consideration is expected.

- **Provision for Litigation**

Disputes are provisioned on a case-by-case basis to reflect the associated risk. The Company estimates risk based on the assessments of its advisors.

- **Provision for Retirement Benefits**

Rights vested in employees to conventional retirement benefits were evaluated on a case-by-case basis, taking into account the employee's age, length of service in the Company and salary, according to the terms of their employment agreement.

Provision for Retirement Benefits is not recorded on the Financial Statements of WSG as it is an option under French Gaap.

(6) Distinction between Extraordinary Income and Ordinary Income

Expenses and income classified as extraordinary items represent transactions that the Company does not consider to be related to ordinary operations, particularly when they are non-recurring.

(7) EBITDA

EBITDA corresponds to Earnings Before Interests Taxes Depreciation and Amortization. However Depreciation on receivables is recorded under the EBITDA.

(8) Management fees

ABO Management fees are recorded as G&A expenses. Other management fees are recorded separately under the EBITDA.

WORLD SATELLITE GUADELOUPE

Société Anonyme (Limited liability company)

267, rue Robert Fulton
97122 Baie—Mahaut

Statutory Auditor's Report on the Financial Statements

Year ended December 31, 2012

WORLD SATELLITE GUADELOUPE

Société Anonyme

267, rue Robert Fulton
97122 Baie—Mahaut

Statutory Auditor's Report on the Financial Statements

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditor's report on the financial statements issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditor's report on the financial statements includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as auditors by your shareholders' meeting, we hereby report to you for the year ended December 31, 2012 on:

- the audit of the accompanying financial statements of World Satellite Guadeloupe,
- the justification of our assessments,
- and the specific verifications and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and financial position of the Company as of December 31, 2012 and the results of its operations for the year then ended in accordance with French accounting regulations.

Without qualifying the above opinion, we draw your attention to the Note ''Major events of the year'' disclosing the context in which the going concern principle was applied.

II. Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby inform you that the assessments which we have performed covered the appropriateness of the accounting policies adopted.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

III. Specific verifications and disclosures

We have also performed the specific verifications required by law, in accordance with professional standards applied in France.

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Neuilly-sur-Seine, May 16, 2013
The Statutory Auditor

Deloitte & Associés

Christophe Saubiez

BALANCE SHEET—ASSETS

	Accounting period ended December 31, 2012 (12 months)			31-Dec-11 (12 months)
(In euros)	GROSS	DEPRECIATION, AMORTIZATION, PROVISIONS	NET	NET
Capital subscribed but not called				
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Preliminary expenses	55,212	55,212		
Research & development expenditure	27,635	27,635		
Concessions, patents, licenses, software, and similar rights	2,642,601	2,618,378	24,222	66,783
Purchased goodwill				
Other intangibles				
Payments on account—intangible assets				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings	272,112	272,111	1	5,938
Industrial and technical plant	32,309,140	20,747,000	11,562,139	13,580,430
Other plant and equipment	1,104,861	997,024	107,837	312,036
PP&E under construction	258,961	245,256	13,705	48,697
Payments on account—PP&E	7,402,815		7,402,815	4,510,282
LONG-TERM INVESTMENTS				
Equity affiliates				
Other participating interests				
Loans to participating interests				
Other long-term investment securities				
Loans	938,643		938,643	1,110,291
Other long-term financial assets	121,573		121,573	124,368
TOTAL	**45,133,552**	**24,962,616**	**20,170,936**	**19,758,825**
CURRENT ASSETS				
Raw materials & supplies				
Work-in-progress—goods				
Work-in-progress—services				
Semi-finished and finished goods				
Bought-in goods				
Payments on account for orders placed	14,991		14,991	14,991
ACCOUNTS RECEIVABLE				
Trade receivables and related accounts	4,486,077	2,374,660	2,111,416	1,245,365
Debit vendor balances				100
Employees	86,203		86,203	86,171
Social security institutions	52,287		52,287	35,352
Tax credits (taxes on income)	3,750		3,750	3,750
Tax credits (VAT)	494,247		494,247	387,153
Other receivables	320,860	156,113	164,747	27,037
OTHER CURRENT ASSETS				
Cash and cash equivalents	131,720		131,720	131,916
Prepayments	17,603		17,603	63,326
TOTAL	**5,607,738**	**2,530,773**	**3,076,965**	**1,995,162**
Deferred charges				
Unrealized foreign exchange losses				
GRAND TOTAL	**50,741,290**	**27,493,389**	**23,247,901**	**21,753,988**

BALANCE SHEET—LIABILITIES AND SHAREHOLDERS' EQUITY

(In euros)	Accounting period ended December 31, 2012 (12 months)	31-Dec-11 (12 months)
SHAREHOLDERS' EQUITY		
Share capital (of which paid in: 1,200,000)	1,200,000	1,200,000
Additional paid-in capital		
Revaluation reserve		
Legal reserve		
Reserves required under the bylaws or contractually		
Tax-driven reserves		
Other reserves		
Accumulated deficit	(8,361,924)	(7,705,926)
Net income (loss) for the period	(822,967)	(655,998)
Investment subsidies		
Tax-driven provisions		685,875
TOTAL	**(7,984,890)**	**(6,476,049)**
EQUITY EQUIVALENTS		
Proceeds from issues of participating securities		
Subordinated loans		
PROVISIONS FOR CONTINGENCIES AND LOSSES		
Provisions for contingencies	310,622	228,917
Provisions for losses		
TOTAL	**310,622**	**228,917**
LIABILITIES		
Borrowings		
Convertible bonds		
Other bonds		
Bank borrowings—overdrafts and credit facilities	7,649	7,766
Other borrowings	11,921,798	14,137,765
Payments received on account for work-in-progress		
Operating liabilities		
Trade payables and related accounts	6,891,646	6,199,383
Employees	111,142	105,713
Social security institutions	143,579	120,444
Taxes on income		
VAT	66,642	16,475
Other taxes	98,666	126,792
Other liabilities		
Amounts payable in respect of fixed assets and related a/cs	2,876,841	2,308,561
Other liabilities	8,716,998	4,820,351
Deferred income and miscellaneous		
Deferred income	87,208	157,870
TOTAL	**30,922,169**	**28,001,120**
Unrealized foreign exchange gains		
GRAND TOTAL	**23,247,901**	**21,753,988**

INCOME STATEMENT FOR THE YEAR

	Accounting period ended December 31, 2012 (12 months)			31-Dec-11 (12 months)
(In euros)	**France**	**Export**	**Total**	**Total**
OPERATING REVENUES				
Sales of own |{goods	9,442,397		9,442,397	9,312,086
|{services	2,103,025		2,103,025	2,371,642
Net sales	**11,545,423**	**0**	**11,545,423**	**11,683,728**
Change in inventories of own production of goods and services				
Own production of goods and services capitalized			406,861	353,939
Operating subsidies			(138)	
Write-back of depreciation, amortization and provisions, expense reclassifications			329,706	122,645
Other revenues			109	169
TOTAL			**12,281,960**	**12,160,481**
OPERATING EXPENSES				
Purchases of raw materials and other supplies (including customs duties)			2,019,133	1,848,195
Other purchases and external charges			4,450,536	4,257,014
Duties and taxes other than corporate income tax			73,889	62,032
Wages and salaries			779,117	857,104
Employee welfare contributions and similar charges			554,436	592,768
Depreciation, amortization & charges to provisions (operating)				
On non-current assets |{Depreciation and amortization			3,481,735	2,696,933
|{Charges to provisions				85,000
On current assets: charges to provisions			478,010	537,110
For contingencies and losses: charges to provisions			95,260	215,362
Other charges			228,467	(30)
TOTAL			**12,160,584**	**11,151,487**
NET OPERATING INCOME			**121,377**	**1,008,994**
FINANCIAL INCOME				
Financial income from participating interests				
Revenues from other marketable securities and long-term loans			31,043	36,312
Reversals of provisions and reclassification of charges				1,721
Foreign exchange gains			11,498	470
Net proceeds from sale of marketable securities				
TOTAL			**42,541**	**38,503**
FINANCIAL EXPENSES				
Amortization and charges to provisions for financial items				
Interest and similar charges			615,691	810,238
Foreign exchange losses			1,470	2,608
Net charges on sales of marketable securities				
TOTAL			**617,161**	**812,845**
NET INCOME (LOSS) FROM FINANCIAL ITEMS			**(574,620)**	**(774,342)**
NET INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX			**(453,243)**	**234,652**

INCOME STATEMENT FOR THE YEAR (Continued)

(In euros)	Accounting period ended December 31, 2012 (12 months)	31-Dec-11 (12 months)
EXCEPTIONAL INCOME		
Exceptional income from non-capital transactions	138,161	496,989
Exceptional income from capital transactions		2,346
Write-back of provisions and expense reclassifications		
TOTAL	**138,161**	**499,334**
EXCEPTIONAL CHARGES		
Exceptional charges on non-capital transactions	507,885	1,344,326
Exceptional charges on capital transactions		
Exceptional depreciation, amortization and charges to provisions		45,658
TOTAL	**507,885**	**1,389,984**
NET EXCEPTIONAL ITEMS	**(369,724)**	**(890,649)**
Statutory employee profit-sharing scheme		
Corporate income tax		
Total income	**12,462,663**	**12,698,319**
Total expenses	**13,285,630**	**13,354,316**
NET INCOME (LOSS) FOR THE PERIOD (total income less total expenses)	**(822,967)**	**(655,998)**

Notes

Notes to the balance sheet (prior to appropriation of results) for the fiscal year ended December 31, 2012, disclosing total assets of €23,247,901.38, and to the income statement for the year disclosing a net loss of -€822,966.68.

The accounting period was for twelve months from January 1 to December 31, 2012.

The notes and tables hereafter are an integral part of the Company's financial statements.

The previous accounting period was for twelve months from January 1 to December 31, 2011.

Main events of the period

The company has received support from Altice Blue One (which holds 100% of the company's share capital) in order to enable pursuit of the company's operations as a going concern until the date of approval of its financial statements for the fiscal year ended December 31, 2013.

At its meeting of February 19, 2013 the company's board of directors decided to transfer the company's registered office to ZAC de Jabrun, Immeuble E. Caraïbes, 97122 Baie-Mahault, Guadeloupe.

Events after the reporting date

Nothing to report.

Accounting policies

The Company's accounting policies have been prudently applied in accordance with the following underlying assumptions:

- Going concern;
- Consistency;
- Accrual basis;

and with the other requirements generally applicable to the preparation and presentation of annual financial statements.

Unless stated otherwise, items are recognized in the Company's balance sheet at historical cost and amounts are expressed in euro.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are recognized at acquisition cost or production cost, including the expenditure directly attributable to making them ready for use, net of any rebates or discounts obtained.

The following decisions have been made in respect of financial statement presentation:

- Decomposable assets: the company has been unable to determine any decomposable assets or any decomposition that was possible would not have had any material impact;
- Non-decomposable assets: the company has opted for the measure of tolerance allowing it to continue to apply its existing rates of depreciation.

Any borrowing costs applicable to assets measured at production cost are not included in production cost.

Depreciation is charged on a straight-line or reducing balance basis reflecting the following estimated useful lives:

Computer software	1–3 years
Patents	7 years
Land improvements	6–10 years
Buildings	10–20 years
Fixtures and fittings	12 years
Industrial plant and tooling	5 years
Fixtures, fittings and installations	6–10 years
Vehicles	4 years
Office and computer equipment	3–10 years
Furniture	5–10 years
IRU	15 years

FINANCIAL ASSETS

Financial assets are initially recognized at cost of acquisition net of incidental expenses. Impairment allowances are subsequently recognized for any excess of assets' carrying amounts over their fair values.

RECEIVABLES AND PAYABLES

Receivables and payables are initially recognized on the basis of their nominal amounts. Impairment allowances are subsequently recognized for any excess of assets' carrying amounts over their recoverable amounts.

PROVISIONS FOR CONTINGENCIES AND LOSSES

Provisions are recognized when, at the balance sheet date, the entity has a present (legal, regulatory, contractual or constructive) obligation towards a third party which it is probable that a net outflow of resources embodying economic benefits will be required to settle. The amounts of provisions are estimated to reflect the probable amounts of those net outflows based on the information available to the company at the time of issuance of the financial statements.

EXCEPTIONAL ITEMS

Exceptional income and expenses are those items not forming part of the company's recurring activity.

Changes in accounting policies and methods

The financial statements for the current period have been prepared and presented on the same bases as for the previous year.

The financial statements have in particular been prepared in compliance with:

- The French national chart of accounts in its version of 1999 adopted on June 22, 1999;
- Articles L.123-12 to L.123-28 of the French Commercial Code.

Additional information required for fair presentation

No additional information is required.

Non-current assets

	Gross opening amounts	New assets acquired or produced	Assets disposed of	Gross closing amounts
Preliminary expenses and R&D	82,846			82,846
Other intangible assets	2,642,601			2,642,601
Land				
Buildings on owned land				
Buildings on leased land	270,471			270,471
Fixtures and fittings	1,642			1,642
Industrial installations, equipment and tooling	31,566,192	742,948		32,309,140
Other installations, fixtures and fittings	562,064	27,497		589,561
Vehicles				0
Office and computer equipment and furniture	314,273	192,563		506,836
Reusable packaging and miscellaneous items	8,465			8,465
Assets under construction	48,697	210,264		258,961
Payments on account	4,510,282	2,892,533		7,402,815
TOTAL	**37,282,084**	**4,065,805**		**41,347,889**
Other participating interests				
Loans and other long-term financial assets	1,234,659		174,443	1,060,216
TOTAL	**1,234,659**		**174,443**	**1,060,216**
GRAND TOTAL	**41,242,191**	**4,065,805**	**174,443**	**45,133,552**

Depreciation and amortization

	Opening amounts	Charges for the year (straight-line basis)	Closing amounts
Preliminary expenses and R&D	82,846		82,846
Intangible assets	2,575,818	42,560	2,618,378
Land			
Buildings on owned land			
Buildings on leased land	155,055	8,257	163,312
Fixtures and fittings	26,120	164	26,284
Industrial installations, equipment and tooling	17,985,762	2,761,238	20,747,000
Other installations, fixtures and fittings	293,194	47,904	341,098
Vehicles			
Office and computer equipment and furniture	271,106	43,481	314,587
Reusable packaging and miscellaneous items	8,465	332,875	341,340
TOTAL	**18,739,701**	**3,193,919**	**21,933,620**
GRAND TOTAL	**21,398,366**	**3,236,479**	**24,634,845**

Provisions and impairment allowances

	Opening balances	Increases charged to profit or loss	Amounts used or no longer required	Closing balances
Miscellaneous provisions	**228,917**	**48,705**		**277,622**
Impairment allowances:				
—For intangible assets				
—For PP&E	85,000	242,771		327,771
—For other participating interests				
—For trade receivables	2,121,051	494,049	240,440	2,374,660
—For other assets	156,113			156,113
Total impairment allowances	**2,362,163**	**736,820**	**240,440**	**2,858,544**
GRAND TOTAL	**2,591,080**	**785,525**	**240,440**	**3,136,167**
Of which:				
—Operating charges/releases		785,525	240,440	
—Exceptional charges/releases				

Breakdown of receivables and payables by maturity

RECEIVABLES	Gross balance	≤ 1 year	> 1 year
Loans	938,643		938,643
Other non-current financial assets	121,573		121,573
Doubtful or disputed debts	2,532,407	2,532,407	
Other trade receivables	1,953,670	1,953,670	
Employees	86,203	86,203	
Social security institutions	52,287	52,287	
Tax credits (corporate income tax)	3,750	3,750	
Tax credits (VAT)	494,247	494,247	
Tax credits (other taxes exc. on income)			
Other receivables	320,860	320,860	
Prepayments	17,603	17,603	
GRAND TOTAL	**6,521,243**	**5,461,027**	**1,060,216**

PAYABLES	Gross balance	≤ 1 year	> 1 year ≤ 5 years
Short-term bank borrowings	7,649		7,649
Other borrowings	11,921,798		11,921,798
Trade payables	6,891,646	6,891,646	
Employees	111,142	111,142	
Social security institutions	143,579	143,579	
VAT liabilities	66,642	66,642	
Liabilities for other taxes exc. on income	98,666	98,666	
Amounts payable in respect of fixed assets and related a/cs	2,876,841	2,876,841	
Other liabilities	8,716,998		8,716,998
Deferred income	87,208	87,208	
GRAND TOTAL	**30,922,169**	**10,275,724**	**20,646,445**

Accrued income

	Amount inclusive of VAT
Accrued income included in the following balance sheet line items:	
—Trade receivables	8,530
—Other receivables	18,476
TOTAL	**27,006**

Accrued expenses

	Amount inclusive of VAT
Accrued expenses included in the following balance sheet line items:	
—Other borrowings	11,859,978
—Trade payables	2,724,001
—Employees and social security institutions	147,623
—Other liabilities	
TOTAL	**14,731,603**

Prepayments and deferred income

	Prepayments	Deferred income
Operating items	17,603	87,208
TOTAL	**17,603**	**87,208**

Prepayments comprise certain invoices from operating suppliers relating to 2013.

Share capital

The company's opening and closing share capital comprised 12,000 shares with a par value of €100 each.

Statement of changes in equity

	Amount
Shareholders' equity at the end of 2011 prior to the AGM	(6,476,049)
Dividend distributed	
Opening shareholders' equity for 2012	**(6,476,049)**
Change in accumulated deficit	(655,998)
Change in investment subsidies and tax-driven provisions	685,875
Appropriation of the net loss for 2011	655,998
Closing shareholders' equity excl. net income for 2012	**(7,161,924)**
Net income for 2012	(822,967)
Closing shareholders' equity for 2012	**(7,984,890)**

Identity of the consolidating parent

On January 1, 2009 the company opted (with effect from the fiscal year commencing on that date) for the tax consolidation arrangement provided for by articles 223 A and following of the French Tax Code.

WSG is thus part of the tax group which has Altice Blue One SAS as its consolidating parent.

Breakdown of net sales

	Amount
Breakdown by operating segment	
Sales of own goods	9,442,397
Sales of own services	2,103,025
TOTAL	**11,545,423**
Breakdown by geographical zone	
France	11,545,423
Export	
TOTAL	**11,545,423**

Breakdown of corporate income tax

	Profit before tax	Corporate income tax
Ordinary items	(453,243)	
Exceptional items	(369,724)	
Total loss before tax	(822,967)	

Financial commitments

The summary of charges on assets delivered on October 25, 2011 by the Pointe-à-Pitre commercial court did not disclose any outstanding charge.

In the framework of the financial restructuring of Altice Blue One Group, a loan agreement has been signed between Altice Blue One and WSG Le Câble providing for the lender to make a sum of €12,004,011 available to the borrower. The loan has been guaranteed by a pledge of all WSG's bank account balances as of the date of signature of the loan agreement.

Directors' remuneration

No remuneration was paid to Board members in respect of 2012.

Average employees

The company had an average of 18 employees.

It may be noted that employees' individual training entitlement amounted to 2,019 hours as of December 31, 2012.

Post-employment benefit obligation

The company's obligation (inclusive of social contributions) as of December 31, 2012 for the lump-sum benefits on retirement provided for by the applicable collective bargaining agreement amounted to €163,535.21 assuming employees' voluntary retirement at 65.

The company's main calculation assumptions were as follows

Annual salary increases	1.50%
Long-term interest rate	3.33% (10 year Treasury bonds)
Calculation performed as of	12/31/2012
Accounting period beginning on	01/01/2012
Age of retirement	65
Probability of presence in the company at age 65	0.98
Probability of survival until age 65	INSEE 2004/2006—T68 mortality table
Applicable collective bargaining agreement	Telecommunications industry (art. 4-4-1-2 & 4-4-2)

Deferred tax assets and liabilities

	Tax basis amount
Items increasing future taxable profits	**NIL**
Items decreasing future taxable profits:	
—Accrued Organic tax not deductible until paid	18,639
—Accrued building levy not deductible until paid	3,343
TOTAL	**21,982**
Nature of temporary differences:	
—Depreciation deferred for tax purposes	
—Tax losses carried forward	
—Long-term capital losses carried forward	

Breakdown of exceptional income and expenses

	Exceptional expenses
Penalties and fines	1,946
Miscellaneous adjustments to royalty payments etc.	80,124
Prior year adjustments	425,815
Exceptional charges to provisions for contingencies	
TOTAL	**507,885**

	Exceptional income
Miscellaneous adjustments	828
Prior year adjustments	137,334
TOTAL	**138,161**

Related party items included in balance sheet or income statement line items

	Related party amount
Loans	938,643
Miscellaneous borrowings	11,859,978
Financial expense	613,903

Altice Holdings S.à r.l.

Société à responsabilité limitée

Opening balance sheet and report of the réviseur d'entreprises agréé as of January 31, 2013

37, rue d'Anvers
L- 1130 Luxembourg
RCS Luxembourg: B174.906

Altice Holdings S.à r.l.

Société à responsabilité limitée

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Sole Shareholder of
Altice Holdings S.à r.l.
37, Rue d'Anvers
L-1130 Luxembourg

We have audited the accompanying opening balance sheet of Altice Holdings S.à r.l. as of January 31, 2013 and a summary of significant accounting policies and other explanatory information (together ''the opening balance sheet''). The opening balance sheet has been prepared under the responsibility of the Board of Managers using the basis of preparation described in Note 2.

Board of Managers responsibility for the opening balance sheet

The Board of Managers is responsible for the preparation and fair presentation of this opening balance sheet in accordance with the basis of preparation described in Note 2. This includes determining that the basis of preparation is an acceptable basis for the preparation of the opening balance sheet in the circumstances, and for such internal control as the Board of Managers determines is necessary to enable the preparation of the opening balance sheet that is free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on this opening balance sheet based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the opening balance sheet are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the opening balance sheet. The procedures selected depend on the judgment of the *réviseur d'entreprises agréé,* including the assessment of the risks of material misstatement of the opening balance sheet, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the opening balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the opening balance sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the opening balance sheet presents fairly, in all material respects, the financial position of Altice West Europe S.à r.l. as at incorporation on January 31, 2013 in accordance with the basis of preparation described in Note 2.

Basis of Preparation

Without modifying our opinion, we draw attention to Note 2 to the opening balance sheet, which describes the basis of preparation. The opening balance sheet is prepared for the purpose of inclusion in the Offering Memorandum of Altice Finco S.A. in relation to the issuance of Senior Notes and is not suitable for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

June 10, 2013

Altice Holdings S.à r.l.

Société à responsabilité limitée

Opening balance sheet as of January 31, 2013

	Notes	31/01/2013 EUR
ASSETS		
Current assets		
Cash and cash equivalents	5	12 500,00
Total assets		**12 500,00**
EQUITY AND LIABILITIES		
Shareholder's Equity		
Issued capital	3	12 500,00
Loss as at corporation		(1 740,06)
Total equity and reserves		10 759,94
Current liabilities		
Trade and other payables	4	1 740,06
Total equity and liabilities		**12 500,00**

The accompanying notes form an integral part of this opening balance sheet.

Note 1—Corporate information

Altice Holdings S.à r.l. (hereafter ''the Company'') is a Luxembourg holding company incorporated on January 31, 2013 as a ''Société à Responsabilité Limitée'' for an unlimited period of time, subject to general company law. Its registered office is established at 37, rue d'Anvers, L-1130 Luxembourg.

The Company's financial year begins on 1 January and ends on 31 December of each year with the exception for the first financial year which began on January 31, 2013 (incorporated date) and will end on December 31, 2013.

The principal activity of the Company is to carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Company may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Note 2—Summary of significant accounting policies

2.1. Basis of preparation

The opening balance sheet of the Company has been prepared in accordance with IAS 1 and IAS 32 of the International Financial Reporting Standards as adopted in the European Union.

It has been prepared on the historical cost basis. Historical costs are usually based on the fair value of the consideration given in exchange for assets.

The measurement and recognition criteria of those international financial reporting standards applicable to the account balances are included in the opening balance sheet.

The principal accounting policies are set below:

2.1.1. Cash and cash equivalents

Cash includes cash in hand and cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.1.2. Trade payables

Trade payables are stated at their nominal value.

Note 2—Summary of significant accounting policies (Continued)

2.1.3. Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax. Taxable profit may differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Note 3—Issued capital

The Company's equity is composed of ordinary shares as follows:

	31/01/2013 EUR
Issued capital:	
12 500 ordinary shares of EUR 1 each	12 500,00

Note 4—Trade payables

This item is composed of amounts due to the notary in connection with expenses incurred at incorporation for an amount of EUR 1 740,06.

Note 5—Cash and cash equivalents

Cash and bank equivalents consist of the current account with the bank of the company, and are considered as cash and cash equivalents.

Note 6—Taxation

In the context of the opening balance sheet, no deferred tax asset has been recorded in relation to the loss incurred at incorporation since the Company's ability to crystallise the deferred tax asset amounting to EUR 501 is contingent upon the success of all contemplated funding operations.

Note 7—Related Party Disclosure

Board of Managers

The Company is managed by a Sole Manager, ALTICE VII S.à r.l. The Sole Manager is invested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate objects of the Company.

Altice Pool S.à r.l.

Société à responsabilité limitée

Opening balance sheet and report of the réviseur d'entreprises agréé as of January 31, 2013

37, rue d'Anvers
L- 1130 Luxembourg
RCS Luxembourg: B145.112

Altice Pool S.à r.l.

Société à responsabilité limitée

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Sole Shareholder of
Altice Pool S.à r.l.
37, Rue d'Anvers
L-1130 Luxembourg

We have audited the accompanying opening balance sheet of Altice Pool S.à r.l. as of January 31, 2013 and a summary of significant accounting policies and other explanatory information (together ''the opening balance sheet''). The opening balance sheet has been prepared under the responsibility of the Board of Managers using the basis of preparation described in Note 2.

Board of Managers responsibility for the opening balance sheet

The Board of Managers is responsible for the preparation and fair presentation of this opening balance sheet in accordance with the basis of preparation described in Note 2. This includes determining that the basis of preparation is an acceptable basis for the preparation of the opening balance sheet in the circumstances, and for such internal control as the Board of Managers determines is necessary to enable the preparation of the opening balance sheet that is free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these opening balance sheet based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the opening balance sheet are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the opening balance sheet. The procedures selected depend on the judgment of the *réviseur d'entreprises agréé,* including the assessment of the risks of material misstatement of the opening balance sheet, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the opening balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the opening balance sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the opening balance sheet presents fairly, in all material respects, the financial position of Altice Pool S.à r.l. as at incorporation on January 31, 2013 in accordance with the basis of preparation described in Note 2.

Basis of Preparation

Without modifying our opinion, we draw attention to Note 2 to the opening balance sheet, which describes the basis of preparation. The opening balance sheet is prepared for the purpose of inclusion in the Offering Memorandum of Altice Finco S.A. in relation to the issuance of Senior Notes and is not suitable for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

June 10, 2013

Altice Pool S.à r.l.

Société à responsabilité limitée

Opening balance sheet
as of January 31, 2013

	Notes	31/01/2013 EUR
ASSETS		
Current assets		
Cash and cash equivalents	5	12 500,00
Total assets		**12 500,00**
EQUITY AND LIABILITIES		
Shareholder's Equity		
Issued capital	3	12 500,00
Loss as at corporation		(1 740,06)
Total equity and reserves		10 759,94
Current liabilities		
Trade and other payables	4	1 740,06
Total equity and liabilities		**12 500,00**

The accompanying notes form an integral part of this opening balance sheet.

Altice Pool S.à r.l.

Société à responsabilité limitée

Notes to the opening balance sheet as of January 31, 2013

Note 1—Corporate information

Altice Pool S.à r.l. (hereafter ''the Company'') is a Luxembourg holding company incorporated on January 31, 2013 as a ''Société à Responsabilité Limitée'' for an unlimited period of time, subject to general company law. Its registered office is established at 37, rue d'Anvers, L-1130 Luxembourg.

The Company's financial year begins on 1 January and ends on 31 December of each year with the exception for the first financial year which began on January 31, 2013 (incorporated date) and will end on December 31, 2013.

The principal activity of the Company is to carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Company may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Note 2—Summary of significant accounting policies

2.1. Basis of preparation

The opening balance sheet of the Company has been prepared in accordance with IAS 1 and IAS 32 of the International Financial Reporting Standards as adopted in the European Union.

It has been prepared on the historical cost basis. Historical costs are usually based on the fair value of the consideration given in exchange for assets.

The measurement and recognition criteria of those international financial reporting standards applicable to the account balances are included in the opening balance sheet.

The principal accounting policies are set below:

2.1.1. Cash and cash equivalents

Cash includes cash in hand and cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.1.2. Trade payables

Trade payables are stated at their nominal value.

Note 2—Summary of significant accounting policies (Continued)

2.1.3. Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax. Taxable profit may differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Note 3—Issued capital

The Company's equity is composed of ordinary shares as follows:

	31/01/2013 EUR
Issued capital:	
12 500 ordinary shares of EUR 1 each	12 500,00

Note 4—Trade payables

This item is composed of amounts due to the notary in connection with expenses incurred at incorporation for an amount of EUR 1 740,06.

Note 5—Cash and cash equivalents

Cash and bank equivalents consist of the current account with the bank of the company, and are considered as cash and cash equivalents.

Note 6—Taxation

In the context of the opening balance sheet, no deferred tax asset has been recorded in relation to the loss incurred at incorporation since the Company's ability to crystallise the deferred tax asset amounting to EUR 501 is contingent upon the success of all contemplated funding operations.

Note 7—Related Party Disclosure

Board of Managers

The Company is managed by a Sole Manager, ALTICE VII S.à r.l. The Sole Manager is invested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate objects of the Company.

ALTICE CARRIBEAN S.à r.l.

Société à responsabilité limitée

Annual accounts
for the period ended December 31, 2012

Rue d'Anvers, 37
L-1130 Luxembourg
Subscribed capital: EUR 12 500,00
R.C.S. Luxembourg B 172.223

ALTICE CARRIBEAN S.à r.l.

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DBSBIUP20130418T11225601_001

RCSL Nr. : B172223	Matricule : 2012 2441 335
	eCDF entry date : 06/06/2013

BALANCE SHEET

Financial year from 01 04/10/2012 to 02 31/12/2012 (in 03 EUR)

ALTICE CARIBBEAN S.à r.l.

37, rue d'Anvers
L-1130 Luxembourg

ASSETS

		Financial year		Previous financial year
A. Subscribed capital unpaid	101		102	
I. Subscribed capital not called	103		104	
II. Subscribed capital called but not paid	105		106	
B. Formation expenses	107		108	
C. Fixed assets	109		110	
I. Intangible assets	111		112	
1. Costs of research and development	113		114	
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	115		116	
a) acquired for valuable consideration and need not be shown under C.I.3	117		118	
b) created by the undertaking itself	119		120	
3. Goodwill, to the extent that it was acquired for valuable consideration	121		122	
4. Payments on account and intangible fixed assets under development	123		124	
II. Tangible assets	125		126	
1. Land and buildings	127		128	
2. Plant and machinery	129		130	
3. Other fixtures and fittings, tools and equipment	131		132	
4. Payments on account and tangible assets in course of construction	133		134	
III. Financial assets	135		136	
1. Shares in affiliated undertakings	137		138	
2. Loans to affiliated undertakings	139		140	
3. Shares in undertakings with which the company is linked by virtue of participating interests	141		142	
4. Loans to undertakings with which the company is linked by virtue of participating interests	143		144	
5. Investments held as fixed assets	145		146	
6. Loans and claims held as fixed assets	147		148	
7. Own shares or own corporate units	149		150	

		Financial year		Previous financial year
D. Current assets	151	8.116,49	152	
I. Stocks	153		154	
1. Raw materials and consumables	155		156	
2. Work and contracts in progress	157		158	
3. Finished goods and goods for resale	159		160	
4. Payments on account	161		162	
II. Debtors	163		164	
1. Trade debtors	165		166	
a) becoming due and payable after less than one year	167		168	
b) becoming due and payable after more than one year	169		170	
2. Amounts owed by affiliated undertakings	171		172	
a) becoming due and payable after less than one year	173		174	
b) becoming due and payable after more than one year	175		176	
3. Amounts owed by undertakings with which the company is linked by virtue of participating interests	177		178	
a) becoming due and payable after less than one year	179		180	
b) becoming due and payable after more than one year	181		182	
4. Other debtors	183		184	
a) becoming due and payable after less than one year	185		186	
b) becoming due and payable after more than one year	187		188	
III. Investments	189		190	
1. Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests	191		192	
2. Own shares or own corporate units	193		194	
3. Other investments	195		196	
IV. Cash at bank and in hand	197	8.116,49	198	
E. Prepayments	199		200	
TOTAL (ASSETS)	201	8.116,49	202	0,00

LIABILITIES

		Financial year		Previous financial year
A. **Capital and reserves**	301	4.816,49	302	
I. Subscribed capital	303	12.500,00	304	
II. Share premium and similar premiums	305		306	
III. Revaluation reserves	307		308	
IV. Reserves	309		310	
1. Legal reserve	311		312	
2. Reserve for own shares	313		314	
3. Reserves provided for by the articles of association	315		316	
4. Other reserves	317		318	
V. Profit or loss brought forward	319		320	
VI. Result for the financial year	321	−7.683,51	322	
VII. Interim dividends	323		324	
VIII. Investment subsidies	325		326	
IX. Immunised appreciation	327		328	
B. **Subordinated creditors**	329		330	
C. **Provisions**	331		332	
1. Provisions for pensions and similar obligations	333		334	
2. Provisions for taxation	335		336	
3. Other provisions	337		338	
D. **Non subordinated debts**	339	3.300,00	340	
1. Debenture loans	341		342	
a) Convertible loans	343		344	
i) becoming due and payable after less than one year	345		346	
ii) becoming due and payable after more than one year	347		348	
b) Non convertible loans	349		350	
i) becoming due and payable after less than one year	351		352	
ii) becoming due and payable after more than one year	353		354	
2. Amounts owed to credit institutions	355		356	
a) becoming due and payable after less than one year	357		358	
b) becoming due and payable after more than one year	359		360	
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	361		362	
a) becoming due and payable after less than one year	363		364	
b) becoming due and payable after more than one year	365		366	

		Financial year		Previous financial year
4. Trade creditors	367	1.725,00	368	
a) becoming due and payable after less than one year	369	1.725,00	370	
b) becoming due and payable after more than one year	371		372	
5. Bills of exchange payable	373		374	
a) becoming due and payable after less than one year	375		376	
b) becoming due and payable after more than one year	377		378	
6. Amounts owed to affiliated undertakings	379		380	
a) becoming due and payable after less than one year	381		382	
b) becoming due and payable after more than one year	383		384	
7. Amounts owed to undertakings with which the company is linked by virtue of participating interests	385		386	
a) becoming due and payable after less than one year	387		388	
b) becoming due and payable after more than one year	389		390	
8. Tax and social security	391	1.575,00	392	
a) Tax	393	1.575,00	394	
b) Social security	395		396	
9. Other creditors	397		398	
a) becoming due and payable after less than one year	399		400	
b) becoming due and payable after more than one year	401		402	
E. Deferred income	403		404	
TOTAL (LIABILITIES)	405	8.116,49	406	0,00

RCSL Nr. : B172223	Matricule : 2012 2441 335
	eCDF entry date : 06/06/2013

PROFIT AND LOSS ACCOUNT

Financial year from 01 04/10/2012 to 02 31/12/2012 (in 03 EUR)

ALTICE CARIBBEAN S.à r.l.

37, rue d'Anvers
L-1130 Luxembourg

A. CHARGES

		Financial year		Previous financial year
1. **Raw materials and consumables**	601		602	
2. **Other external charges**	603	6.108,51	604	
3. **Staff costs**	605		606	
a) Wages and salaries	607		608	
b) Social security costs	609		610	
c) Social security costs relating to pensions	611		612	
d) Other social security costs	613		614	
4. **Value adjustments**	615		616	
a) on formation expenses and on tangible and intangible fixed assets	617		618	
b) on elements of current assets	619		620	
5. **Other operating charges**	621		622	
6. **Value adjustments and fair value adjustments on financial fixed assets**	623		624	
7. **Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities**	625		626	
8. **Interest payable and similar charges**	627		628	
a) concerning affiliated undertakings	629		630	
b) other interest payable and similar charges	631		632	
9. **Extraordinary charges**	633		634	
10. **Tax on profit or loss**	635	1.575,00	636	
11. **Other taxes not included in the previous caption**	637		638	
12. **Profit for the financial year**	639	0,00	640	
TOTAL CHARGES	641	7.683,51	642	0,00

RCSL Nr. : B172223	Matricule : 2012 2441 335

B. INCOME

		Financial year		Previous financial year
1. **Net turnover**	701		702	
2. **Change in inventories of finished goods and of work and contracts in progress**	703		704	
3. **Fixed assets under development**	705		706	
4. **Reversal of value adjustments**	707		708	
a) on formation expenses and on tangible and intangible fixed assets	709		710	
b) on elements of current assets	711		712	
5. **Other operating income**	713		714	
6. **Income from financial fixed assets**	715		716	
a) derived from affiliated undertakings	717		718	
b) other income from participating interests	719		720	
7. **Income from financial current assets**	721		722	
a) derived from affiliated undertakings	723		724	
b) other income	725		726	
8. **Other interests and other financial income**	727		728	
a) derived from affiliated undertakings	729		730	
b) other interest receivable and similar income	731		732	
9. **Extraordinary income**	733		734	
10. **Loss for the financial year**	735	7.683,51	736	
TOTAL INCOME	737	7.683,51	738	0,00

ALTICE CARRIBEAN S.à r.l.

Notes to the annual accounts
for the period from October 4, 2012 to December 31, 2012

Note 1—General information

ALTICE CARRIBEAN S.à r.l. (hereafter ‘‘the Company’’) was incorporated on October 4, 2012 and organised under the laws of Luxembourg as a ‘‘Société à responsabilité limitée’’ for an unlimited period.

The registered office of the Company is established at 37, rue d'Anvers, L-1130 Luxembourg and the Company is registered in the Trade Register under number B 172.223 in Luxembourg.

The Company's financial year starts on January 1 and ends on December 31 of each year with the exception for the first financial year which begins on October 4, 2012 (incorporation date) and ends on December 31, 2012.

The Company may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Company may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

The Company's accounts are included in the consolidated accounts of Altice VII S.à r.l., incorporated under the laws of Luxembourg. These accounts can be obtained from Altice VII S.à r.l., which is established at 37, rue d'Anvers, L-1130 Luxembourg.

Note 2—Summary of significant accounting policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones lay down by the Law of December 19, 2002, determined and applied by the Board of Managers.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Managers to exercise their judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Board of Managers believe that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 2—Summary of significant accounting policies (Continued)

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Formation expenses

The formation expenses of the Company are directly charged to the profit and loss accout of the period in which they are incurred.

2.2.2 Foreign currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

2.2.3 Provisions for taxation

Current tax provision

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption ''Tax debts''. The advance payments are shown in the assets of the balance sheet under the ''Other receivables'' item.

2.2.4 Non-subordinated debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account when the debt is issued.

Note 3—Subscribed capital

The subscribed capital amounts to EUR 12 500,00 and is divided into 12 500 shares fully paid up with a nominal value per unit of EUR 1,00.

Note 4—Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed until closing of the liquidation.

Altice West Europe S.à r.l.

Société à responsabilité limitée

Opening balance sheet and report of the réviseur d'entreprises agréé as of June 5, 2013

37, rue d'Anvers
L- 1130 Luxembourg
RCS Luxembourg: ongoing registration

Altice West Europe S.à r.l.

Société à responsabilité limitée

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Sole Shareholder of
Altice West Europe S.à r.l.
3, Boulevard Royal
L-2449 Luxembourg

We have audited the accompanying opening balance sheet of Altice West Europe S.à r.l. as of June 5, 2013 and a summary of significant accounting policies and other explanatory information (together ''the opening balance sheet''). The opening balance sheet has been prepared under the responsibility of the Board of Managers using the basis of preparation described in Note 2.

Board of Managers responsibility for the opening balance sheet

The Board of Managers is responsible for the preparation and fair presentation of this opening balance sheet in accordance with the basis of preparation described in Note 2. This includes determining that the basis of preparation is an acceptable basis for the preparation of the opening balance sheet in the circumstances, and for such internal control as the Board of Managers determines is necessary to enable the preparation of the opening balance sheet that is free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on this opening balance sheet based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the opening balance sheet are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the opening balance sheet. The procedures selected depend on the judgment of the *réviseur d'entreprises agréé,* including the assessment of the risks of material misstatement of the opening balance sheet, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the opening balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the opening balance sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the opening balance sheet presents fairly, in all material respects, the financial position of Altice West Europe S.à r.l. as at incorporation on June 5, 2013 in accordance with the basis of preparation described in Note 2.

Basis of Preparation

Without modifying our opinion, we draw attention to Note 2 to the opening balance sheet, which describes the basis of preparation. The opening balance sheet is prepared for the purpose of inclusion in the Offering Memorandum of Altice Finco S.A. in relation to the issuance of Senior Notes and is not suitable for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

June 11, 2013

Altice West Europe S.à r.l.

Société à responsabilité limitée

Opening balance sheet
as of June 5, 2013

	Notes	05/06/2013 EUR
ASSETS		
Current assets		
Cash and cash equivalents	5	12.500,00
Total assets		**12.500,00**
EQUITY AND LIABILITIES		
Equity		
Issued capital	3	12.500,00
Loss at corporation		(1.442,23)
Total equity		11.057,77
Current liabilities		
Trade and other payables	4	1.442,23
Total equity and liabilities		**12.500,00**

The accompanying notes form an integral part of this opening balance sheet.

Notes to the opening balance sheet as of June 5, 2013

Note 1—Corporate information

Altice Holdings S.à r.l. (hereafter ''the Company'') is a Luxembourg holding company incorporated on June 5, 2013 as a ''Société à Responsabilité Limitée'' for an unlimited period of time, subject to general company law. Its registered office is established at 3, Boulevard Royal, L-2449 Luxembourg.

The Company's financial year begins on 1 January and ends on 31 December of each year with the exception for the first financial year which began on June 5, 2013 (incorporated date) and will end on December 31, 2013.

The principal activity of the Company is to carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Company may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any enterprises, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

Note 2—Summary of significant accounting policies

2.1. Basis of preparation

The opening balance sheet of the Company has been prepared in accordance with IAS 1 and IAS 32 of the International Financial Reporting Standards as adopted in the European Union.

It has been prepared on the historical cost basis. Historical costs are usually based on the fair value of the consideration given in exchange for assets.

The measurement and recognition criteria of those International Financial Reporting Standards are set below:

2.1.1. Cash and cash equivalents

Cash includes cash in hand and cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.1.2. Trade payables

Trade payables are stated at their nominal value.

Note 2—Summary of significant accounting policies (Continued)

2.1.3. Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax. Taxable profit may differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Note 3—Issued capital

The Company's equity is composed of ordinary shares as follows:

	05/06/13 EUR
Issued capital:	
12 500 ordinary shares of EUR 1 each fully paid up	12 500,00

Note 4—Trade payables

This item is composed of amounts due to the notary in connection with expenses incurred at incorporation for an amount of EUR 1 442,23.

Note 5—Cash and cash equivalents

Cash and bank equivalents consist of the current account with the bank of the Company, and are considered as cash and cash equivalents.

Note 6—Taxation

In the context of the opening balance sheet, no deferred tax asset has been recorded in relation to the loss incurred at incorporation since the Company's ability to crystallise the deferred tax asset amounting to EUR 415 is contingent upon the success of all contemplated funding operations.

ALTICE VII S.à r.l.

Société à responsabilité limitée

Annual accounts for the year ended December 31, 2012

37, rue d'Anvers
L-1130 Luxembourg
RCS Luxembourg B 143.725
Subscribed capital : EUR 7.430.115,10

ALTICE VII S.à r.l.

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ALTICE VII S.à r.l.

Balance sheet as at December 31, 2012

(Denominated in EUR)

	Note(s)	2012 EUR	2011 EUR
ASSETS			
Formation expenses	3.2.1, 4	266,59	533,17
Fixed assets			
Tangible assets			
Other fixtures anf fittings, tools and equipment	5	1.243,31	-
Financial assets	3.2.2		
Shares in affiliated undertakings	6.1	17.453.096,84	14.567.942,87
Other equity instruments	6.2	367.561.570,22	334.487.098,61
Current assets			
Debtors			
Trade debtors			
becoming due and payable after less than one year		2.301.579,28	902.214,59
Other debtors			
becoming due and payable after less than one year		40.865,29	32.894,36
becoming due and payable after more than one year		2,00	1.123.985,66
Cash at bank and in hand		14.169.188,74	6.785.834,38
Total Assets		**401.527.812,27**	**357.900.503,64**

The accompanying notes form an integral part of these annual accounts.

ALTICE VII S.à r.l.

Balance sheet as at December 31, 2012
(Denominated in EUR)

	Note(s)	2012 EUR	2011 EUR
LIABILITIES			
Capital and reserves			
Subscribed capital	8	7.430.115,10	7.418.115,10
Profit or loss brought forward	10	5.266.136,42	(4.368.241,55)
Legal reserve	9	277.165,08	-
Result for the financial year	10	(8.432.703,83)	9.911.543,05
		4.540.712,77	12.961.416,60
Other equity contributed by shareholder	11		
Convertible preferred equity certificates		219.088.738,40	219.066.238,41
Asset linked preferred equity certificates		104.632.683,77	69.781.252,39
Yield free preferred equity certificates		36.338.657,79	35.179.389,30
Asset Linked Note		5,00	5,00
		360.060.084,96	324.026.885,10
Total equity		**364.600.797,73**	**336.988.301,70**
Other debts	12		
Amounts owed to credit institutions			
becoming due and payable after more than one year		-	10.546.288,42
Trade creditors			
becoming due and payable after less than one year		14.263.490,32	3.199.378,77
Amounts owed to affiliated undertakings			
becoming due and payable after more than one year		20.086.054,57	6.885.050,29
Tax and social security	13		
Tax		384.030,31	228.151,71
Social security		4.211,34	53.332,75
Other creditors			
becoming due and payable after less than one year		2.189.228,00	-
Total Liabilities		**401.527.812,27**	**357.900.503,64**

The accompanying notes form an integral part of these annual accounts.

Profit and loss account for the year ended December 31, 2012

(Denominated in EUR)

	Note(s)	2012 EUR	2011 EUR
CHARGES			
Other external charges		20.632.068,88	16.703.438,43
Staff costs		2.128.386,98	1.140.243,27
Value adjustments			
on formation expenses	4	266,58	266,58
on elements of current assets	5	500,70	67.735,88
on financial fixed assets		5.402.987,99	17.409.503,86
Interest payable and similar charges			
concerning affiliated undertakings		-	2.898.577,51
other interest payable and similar charges		9.591.488,47	4.670.210,91
Extraordinary charges	15	1.516.383,76	727.800,43
Tax on profit or loss	13	1.575,00	1.575,00
Other taxes not included in the previous caption		33.775,00	100,00
Profit for the financial year		-	9.911.543,05
Total Charges		**39.307.433,36**	**53.530.994,92**

The accompanying notes form an integral part of these annual accounts.

Profit and loss account for the year ended December 31, 2012

(Denominated in EUR)

	Note(s)	2012 EUR	2011 EUR
INCOME			
Net turnover	3.2.7, 16	20.035.305,11	9.877.468,26
Income from financial fixed assets			
derived from affiliated undertakings	17	8.375.741,72	40.633.338,53
Income from financial current assets			
other income		-	79.999,00
Other interests and other financial income			
derived from affiliated undertakings	18	1.848.941,58	989.017,44
other interest receivable and similar income		614.741,12	1.270.694,59
Extraordinary income		-	680.477,10
Loss for the financial year		8.432.703,83	-
Total income		**39.307.433,36**	**53.530.994,92**

The accompanying notes form an integral part of these annual accounts.

ALTICE VII S.à r.l.

Notes to the annual accounts for the year ended December 31, 2012

Note 1 - General

Altice VII S. à r.l. (hereafter “the Company"), was incorporated on December 15, 2008 and organized under the laws of Luxembourg as a "Société à responsabilité limitée" for an unlimited period.

The registered office of the Company is established at 37, rue d’Anvers, L-1130 Luxembourg. The Company is registered to the Trade Register under number B 143.725 in Luxembourg.

The Company’s financial year starts on January 1 and ends on December 31 of each year.

The purpose of the Company is the acquisition, the management, the development and the transfer of participations in any form whatsoever, in Luxemburg and foreign companies.

Furthermore, the Company can acquire and transfer other sorts of securities, by subscription, purchase, exchange, sale or any other manner, to contract various loans and to proceed to the issue of bonds or of convertible bonds and debt securities, to grant any assistance, loan, moves forward or guaranteed to the companies in which it holds a direct or indirect participation or to any companies being a member of the same group of companies as the Company.

Generally speaking, the Company is authorized to make any commercial, industrial and financial operation which could be in the field of the immovable securities or the property, susceptible to increase or to complete objects mentioned above.

The Company also prepares consolidated financial statements, which are published according to the provisions of the Luxembourg law.

Note 2 - Presentation of the comparative financial data

The figures for the period ended December 31, 2011 relating to item “Amounts owed by affiliated undertakings” has been reclassified to ensure comparability with the figures for the year ended December 31, 2012.

Note 3 - Summary of significant accounting policies

3.1 Basis of presentation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, determined and applied by the Board of Managers.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Managers to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Board of Managers believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

Note 3 - Summary of significant accounting policies (cont.)

3.1 Basis of presentation (cont. and end)

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

3.2.1 Formation expenses

Formation expenses are written off on a straight-line basis over a period of 5 years.

3.2.2 Financial assets

Shares in affiliated undertakings and loans to these undertakings are valued at purchase price including the expenses incidental thereto.

In the case of durable depreciation in value according to the opinion of the Board of Managers, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Subordinated debtors

Debts are recorded under subordinated debtors when their status is subordinated to unsecured debts.

3.2.4 Foreign currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of transaction.

Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Note 3 - Summary of significant accounting policies (cont. and end)

3.2 Significant accounting policies (cont. and end)

3.2.4 Foreign currency translation (cont. and end)

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

Assets and liabilities items which are fair valued are converted at the exchange rates effective at the balance sheet date. Foreign exchange differences on those items which are accounted at fair value are recognised in the profit and loss account or revaluation reserves with the change in fair value.

3.2.5 Provisions

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption “Tax debts”. The advance payments are shown in the assets of the balance sheet under the “Other debtors” item.

3.2.6 Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt on a linear method.

3.2.7 Net turnover

The net turnover comprises the amounts derived from the sale of products and the provision of services falling within the Company’s ordinary activities, after deductions of sales rebates and of value added tax and other taxes directly linked to the turnover.

Notes to the annual accounts for the year ended December 31, 2012 (cont.)

Note 4 - Formation expenses

Formation expenses comprise incorporation expenses incurred for the creation of the Company.

The movements for the year are as follows:

	2012 EUR	2011 EUR
Gross book value - opening balance	**1.332,92**	**1.332,92**
Gross book value - closing balance	**1.332,92**	**1.332,92**
Accumulated value adjustement - opening balance	**(799,75)**	**(533,17)**
Allocations for the year	(266,58)	(266,58)
Accumulated value adjustement - closing balance	**(1.066,33)**	**(799,75)**
Net book value - closing balance	**266,59**	**533,17**
Net book value - opening balance	**533,17**	**799,75**

Note 5 - Tangible assets

The movements for the year are as follows:

	Other fixtures and fittings, tools and equipment EUR
Gross book value - opening balance	-
Additions for the year	1.744,01
Gross book value - closing balance	**1.744,01**
Accumulated value adjustement - opening balance	**-**
Allocations for the year	(500,70)
Accumulated value adjustement - closing balance	**(500,70)**
Net book value - closing balance	**1.243,31**
Net book value - opening balance	**-**

Note 6 - Financial assets

6.1 Shares in affiliated undertakings

The movements of the year are as follows:

	Affiliated undertakings	
	Shares	Loans
	EUR	EUR
Gross book value – opening balance	**8.154.241,60**	**82.402.366,08**
Additions for the year	6.362.920,52	26.494.143,92
Gross book value – closing balance	**14.517.162,12**	**108.896.510,00**
Net book value - closing balance	**14.517.162,12**	**108.896.510,00**
Net book value - opening balance	**8.154.241,60**	**82.402.366,08**

The information prescribed by article 65 (1) 2° relating to all undertakings in which the Company holds at least 20% of the share capital has been omitted, as its nature is such that it would be seriously prejudicial to any of the undertakings.

6.2 Other equity instruments

- As at December 31, 2012, the loan granted to Altice Blue One S.A.S. amounts to EUR 4.456.640,00. This loan bears an interest of 8,5% and the maturity date was fixed on October 7, 2024. As at December 31, 2012, the accrued interest amount to EUR 1.794.127,46.

- As at December 31, 2011, the loan granted to Auberimmo S.A.S. amounts to EUR 988.000,00. This loan is repayable on December 31, 2024.

  During the year 2012, it has been decided to amend the interest rate from 4% to a variable rate.

  As at December 31, 2012, the loan amounts to EUR 988.000,00 and the accrued interest amount to EUR 72.977,48.

- On February 29, 2012, the Company has granted a loan amounting to EUR 45.000.000,00 to Altice Portugal S.A.. This loan bears an interest of 10% and the maturity date was fixed on February 29, 2061.

  On March 27, 2013, it has been decided that the loan will bear no more interest.

  As at December 31, 2012, the loan amounts to EUR 8.400.000,00 and the accrued interest amount to EUR 192.328,77.

Note 6 - Financial assets (cont.)

6.2 Other equity instruments (cont.)

- On November 26, 2012, Valvision SAS has reimbursed an amount of EUR 650.000,00 to the Company.

As at December 31, 2012, the loan granted to Valvision SAS amounts to EUR 1.873.709,59 and the accrued interest amount to EUR 210.857,41. This loan bears an interest of 4% and the maturity date was fixed on June 30, 2015.

- On September 24, 2012, the Company has subscribed to the capital increase of Green Datacenter AG for an amount of EUR 6.245.824,73 (CHF 7.561.820,00) by a contribution of an existing debt. During the year 2012, it has been decided to amend the interest rate from 4,50% to 3,75%. On December 31, 2012, the Company has subscribed to the capital increase of Green Datacenter AG for an amount of EUR 39.595,79 (CHF 47.804,00) by a contribution of an existing debt.

  As at December 31, 2012, the loan amounts to EUR 3.950.611,06 (CHF 5.770.376,00) and the accrued interest amount to EUR 904.312,42 (CHF 1.099.388,81).

- On June 29, 2011, the Company has subscribed of 43.311.333 Preferred Equity Certificate (the "PECs") of Deficom Telecom S.à r.l. amounting to EUR 43.311.333,00 with a nominal value of EUR 1,00. On November 16, 2011, Deficom Group S.A. has decided to transfer 899.092 PECs to the Company and on December 1, 2011, the Company has subscribed to 14.820.198 PECs. Each PEC bears a yield and shall have a maturity of 49 years.

  As at December 31, 2012, the Company has subscribed 59.030.623 PECs amounting to EUR 69.071.638,14 with a nominal value of EUR 1,00. The accrued interest for the year amount to EUR 722.220,72 (see Note 17).

  On December 2, 2012, an amount of EUR 10.041.015,17 has been capitalised.

  As at December 31, 2012, the Company has subscribed 59.030.623 PECs amounting to EUR 69.071.638,17 with a nominal value of EUR 1,00. The accrued interest for the year amount to EUR 722.220,72 (see Note 17).

- On August 3, 2012, the Company has subscribed of 408.329.931 Asset Linked Preferred Equity Certificates (the "ALPECs") of altice africa S.à r.l. amounting to EUR 4.083.299,31 (i.e. USD 5.000.000,00) with a nominal value of EUR 0,01. Each ALPECs bears a yield and shall have a maturity of 49 years.

  On October 2, 2012, the Company has subscribed of 773.395.242 ALPECs of altice africa S.à r.l. amounting to EUR 7.733.952,42 (i.e. USD 10.000.000,00) with a nominal value of EUR 0,01. Each ALPECs bears a yield and shall have a maturity of 49 years.

  On November 13, 2012, the Company has subscribed of 393.824.827 ALPECs of altice africa S.à r.l. amounting to EUR 3.938.248,27 (i.e. USD 5.000.000,00) with a nominal value of EUR 0,01. Each ALPECs bears a yield and shall have a maturity of 49 years.

Note 6 - Financial assets (cont. and end)

6.2 Loans to affiliated undertakings (cont. and end)

As at December 31, 2012, the Company has subscribed 1.575.550.000,00 ALPECs amounting to EUR 15.755.500,00 (i.e. USD 20.000.000,00) with a nominal value of EUR 0,01. The accrued interest for the year amounts to EUR 608.576,89 (see Note 17).

Note 7 - Amounts owed by affiliated undertakings becoming due and payable after more than one year

As at December 31, 2012, this item is mainly composed of:

- An interest free long term advance to Cool Holding Ltd S.A. for an amount of EUR 241.452.392,24.

- A loan granted to Green.CH for an amount of EUR 6.048.436,00 (CHF 9.083.156,00). This debt bears an interest of 6.32%.
  As at December 31, 2012, the accrued interest amount to EUR 2.247.199,83 (CHF 3.031.301,41).

Note 8 – Subscribed capital

The subscribed capital amounts to EUR 7.418.115,10 and is divided into:

- 14.832.900 class A corporate units with a nominal value per unit of EUR 0,01;
- 71.747.100 class B corporate units with a nominal value per unit of EUR 0,01;
- 98.886.400 class C corporate units with a nominal value per unit of EUR 0,01;
- 64.226.800 class D corporate units with a nominal value per unit of EUR 0,01;
- 98.886.400 class E corporate units with a nominal value per unit of EUR 0,01;
- 98.886.400 class F corporate units with a nominal value per unit of EUR 0,01;
- 1.058.610 class G corporate units with a nominal value per unit of EUR 0,01;
- 1.113.600 class 1A corporate units with a nominal value per unit of EUR 0,01;
- 5.386.000 class 1B corporate units with a nominal value per unit of EUR 0,01;
- 202.108.900 class 1C corporate units with a nominal value per unit of EUR 0,01;
- 4.603.900 class 1D corporate units with a nominal value per unit of EUR 0,01;
- 19.337.000 class 1E corporate units with a nominal value per unit of EUR 0,01;
- 25.657.900 class 1F corporate units with a nominal value per unit of EUR 0,01;
- 44.600 class 1O corporate units with a nominal value per unit of EUR 0,01;
- 79.600 class 1G corporate units with a nominal value per unit of EUR 0,01;
- 31.000.000 class M corporate units with a nominal value per unit of EUR 0,01;
- 3.955.400 Ordinary corporate units with a nominal value per unit of EUR 0,01.

An amount of EUR 4.000,00 has been booked as receivable for the future capital increase (i.e. see note 18).

Note 9 - Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Note 10 – Movements for the year on the reserve and profit and loss items

	Legal reserve	Profit or loss brought forward	Result for the financial year
	EUR	EUR	EUR
As at 31.12.2011	**-**	**(4.368.241,55)**	**9.911.543,05**
Movements for the year:			
• Allocation of previous year's profit or loss	-	9.634.377,97	(9.911.543,05)
• Result for the year	-	-	(8.432.703,83)
• Legal reserve	277.165,08	-	
As at 31.12.2012	**277.165,08**	**5.266.136,42**	**(8.432.703,83)**

Notes to the annual accounts for the year ended December 31, 2012 (cont.)

Note 11 – Other equity contributed by shareholder

This item is composed as follows:

	More than five years	31/12/2012	31/12/2011
	EUR	EUR	EUR
Convertible Preferred Equity Certificate	219.088.738,40	219.088.738,40	219.066.238,41
Asset Linked Preferred Equity Certificate	101.322.884,16	101.322.884,16	65.494.502,10
Interest on Asset Linked Preferred Equity Certificate	3.309.799,61	3.309.799,61	4.286.750,29
Yield Free Preferred Equity Certificate	36.338.657,79	36.338.657,79	35.179.389,30
Asset Linked Note Agreement	5,00	5,00	5,00
Total	**360.060.084,96**	**360.060.084,96**	**324.026.885,10**

Note 12 – Other debts

On November 22, 2011, the Company entered into a loan agreement, with a third party financial institution amounting to EUR 10.469.406,30 (ILS 50.000.000,00).

On May 31, 2012 the Company fully reimbursed the loan.

Note 13 – Taxes

The Company is subject to all taxes applicable to a commercial company in Luxembourg.

Note 14 – Staff

As at December 31, 2012, the Company has employed three persons during the financial year.

Note 15 – Extraordinary charges

This item is mainly composed of the waiver of the loan that had been granted to the indirectly subsidiary fully held by ICC corresponding to the principal and accrued interests for the years 2011 and 2012 for a total amount of EUR 1.374.300,32.

Note 16 – Net turnover

This item is composed of services charged quarterly to the affiliated undertakings for an amount of EUR 20.035.305,11.

Notes to the annual accounts for the year ended December 31, 2012 (cont.)

Note 17 – Income from financial fixed assets

This item is composed of the accrued interest on the PECs amounting to EUR 7.767.164,83 and the the accrued interest on the ALPECs amounting to EUR 608.576,89.

Note 18 – Other interest and other financial income derived from affiliated undertakings

As at December 31, 2012, this item is mainly composed of:

- the interest on the loan granted to Auberimmo S.A.S. amounting to EUR 33.457,48 ;
- the interest on the loan granted to Altice Blue One S.A.S. amounting to EUR 378.814,40;
- the interest on the loan granted to Valvision S.A. S. amounting to EUR 99.533,78;
- the interest on the loan granted to Green Datacenter AG amounting to EUR 299.178,26 (CHF 359.965,88).

Note 19 – Subsequent events

On March 7, 2013, the Company purchased the 40% remaining shares held by Codilink S.à r.l. in Altice Portugal S.A.

In April 2013, the Company transferred all the shares in Altice Portugal S.A. to Altice Holdings S.à r.l. together with the remaining part of the AP Loan in consideration for (i) EUR 105.000.000 cash payment settled after receiving the fund resulting from the Facilities Agreement and (ii) share capital for EUR 2.000.000 and share premium of EUR 218.000.000.

In the same context, the Company entered into:

1. an English law governed facilities agreement on or about March 6, 2013 as amended on April 18, 2013 in a principal aggregate amount of EUR 200.000.000 between amongst others, Altice Holdings S.à r.l., as borrower, the Company as Security Provider and various financial institutions (the “lenders”) (the “Facilities Agreement”), together with various ancillary agreements;

2. a Luxembourg law governed intercompany loan entered into on or about April 23, 2013, in a principal aggregate amount to EUR 65.000.000, between Altice Holdings S.à r.l. as lender and the Company as borrower (the “Lux Receivables Loan”);

The Company redeemed the Class F of certified preferred equity certificates issued by the Company with effect on 26 April 2012.

On May 30, 2013, the Company has increased his capital by an amount of EUR 4.500,00 by an existing receivable. In the same date, all shares have been converted into ordinary shares.

Note 19 – Subsequent events (Cont. and end)

On June 6, 2013, the Company contributed at fair market shares in the following entities to Altice VII Bis S.à r.l. ("AVII Bis"):

1. Altice Africa S.à r.l.
2. Minion
3. Auberimmo

On June 6, 2013, the Company sold to AVII Bis in consideration for CPECS issued by AVII Bis:

1. Shares in Valvision;
2. Shares in Green Data Center;
3. Remaining shares in Auberimmo.

On June 6, 2013, the Company sold to AVII Bis the ALPECS issued by Altice Africa S.à r.l. in consideration for ALPECS issued by AVII Bis.

On June 6, 2013, the Company sold to AVII Bis the loan granted to Auberimmo in consideration for ALPECS.

On June 6, 2013, the Company repaid YFPECS, CPECS and ALPECS that formerly tracked investments in shares transferred to AVII Bis (Altice Africa, Minion, Valvision, Auberimmo and Green Data Center) by transferring shares and securities issued by AVII Bis to Next Limited Partnership Incorporated.

On June 6 2013, the terms and conditions of all the existing classes of ALPECs, CPECs and YFPECs have been amended so that (i) there is only one class of certificates per instruments, (ii) the ALPECs, CPECs and YFPECs ranks junior to all liabilities of the Company and of its subsidiaries, other than shareholder's debt.

For the purpose of acquiring new subsidiaries, Altice Finco S.A. (i) issued € 250.000.000, 9% senior notes due 2023 ("Notes") pursuant to a New York law indenture entered on June 19, 2013 into by the Company as guarantor, Altice Finco S.A. as issuer and the Initial Purchasers and (ii) prepared and distributed the pricing disclosure package and final offering memorandum setting forth the offering of the Notes (the "Offering Memorandum) on June 14, 2013. The Company is defined in the Offering Memorandum as part of the Restricted Group (as this term is defined therein) and as guarantor.

As part of the above mentioned operations, the Company entered on June 19, 2013 into the following documents:

1. a New York law governed purchase agreement to be entered into between, amongst others, the Company, Altice Finco S.A. and additional parties thereto (the "Purchase Agreement"); and
2. a New York law governed guarantee agreement to be entered into between, amongst others, the Company and the Trustee (as defined therein) (the "Guarantee").

ALTICE PORTUGAL, S.A.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

Palmela, March 5, 2013

STATUTORY AUDIT REPORT

(Translation of a report originally issued in Portuguese)

(Amounts expressed in Euros)

Introduction

1. We have audited the financial statements of Altice Portugal, S.A. ("the Company"), that includes a balance sheet as of 31 December 2012, that show total assets of 85,123,850 Euros and total equity of 70,997,707 Euros including a net profit for the period of 70,947,707 Euros, the statements of income by nature, of the variations in equity and of cash flows for the period between 27 February 2012 (date of incorporation) and 31 December 2012 and the corresponding attached notes.

Responsibilities

2. The Board of Directors is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company, the results of its operations, the variations in equity and the cash flows, as well as selecting and applying appropriate accounting practices and policies and adequate accounting estimates and applying an effective system of internal controls. Our responsibility is to express an opinion on those financial statements based on our audit.

Scope

3. We conducted our audit in accordance with the Technical Rules and Directives of Reviews and Audits issued by the Portuguese Body of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit to involves performing procedures, on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements and the evaluation of the estimates made by the Board of Directors, used in its preparation. The audit also included the assessment as to the appropriateness of the accounting policies and accounting estimates used and disclosures made by the Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the financial statements referred in paragraph 1, give a true and fair view in all material respects, of the financial position of Altice Portugal, S.A. as of 31de December 2012, and the results of its operations, the variations in equity and cash flows for the period between 27 February 2012 (date of incorporation) and 31 December 2012, in accordance with the Portuguese generally accepted accounting principles.

Emphasis

5. As of 31December 2012, the balance sheet includes a financial investment of 81,491,298 Euros corresponding to 100% of the share capital of Cabovisão – Televisão por Cabo, S.A.. As of that date, the balance sheet of the subsidiary shows accumulated losses amounting to, approximately 385,249,000 Euros, in part as a result of the significant depreciations related with the network and, as of that date, current assets are lower than current liabilities, being the Subsidiary's Board of Directors understanding that the future operations will generate sufficient cash to cover the Subsidiary's liabilities and continue to develop its regular operations.

6. As mentioned in Note 2 of the attached notes, despite the company started its activity in 27th February 2012, the Company's fiscal year ends on December 31, 2012, as a consequence of the acquisition of the Company by Altice VII, S.à.rl, inserted in the Altice Group and to align its reporting period with the Group to which it belongs. In this context, the financial statements at 31 December 2012 (which includes the statements of income by nature and of cash flows for the period of ten months) have no comparison.

Reporting on other legal requirements

7. It is also our opinion that the financial information included in the Board of Directors Report is consistent with the information included in the financial statements.

Lisbon, 5 March 2013

BAKER TILLY, PG & ASSOCIADOS, SROC, S.A.
Represented by Paulo Jorge Duarte Gil Galvão André

ALTICE PORTUGAL, S.A.

BALANCE SHEET AS OF DECEMBER 31, 2012

(Amounts in Euros)

(Translation of a document originally issued in Portuguese - Note 22)

Assets	Notes	2012
NON CURRENT ASSETS:		
Financial investments	6	81.491.298
Total non-current assets		81.491.298
CURRENT ASSETS:		
State and other public entities	8	47.489
Cash and bank deposits	4	3.585.063
Total current assets		3.632.552
TOTAL ASSETS		85.123.850

EQUITY AND LIABILITIES	Notes	2012
EQUITY:		
Capital	9	50.000
		50.000
Net profit for the year		70.947.707
TOTAL EQUITY		70.997.707
LIABILITIES:		
CURRENT LIABILITIES:		
Suppliers	12	63.432
Loan	11	14.000.000
Other accounts payable	13	62.711
Total current liabilities		14.126.143
TOTAL LIABILITIES		14.126.143
TOTAL EQUITY AND LIABILITIES		85.123.850

The accompanying notes are integral part of the balance sheet of December 31, 2012.

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

ALTICE PORTUGAL, S.A.

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE PERIOD

BETWEEN FEBRUARY 27 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

(Amounts in Euros)

(Translation of a document originally issued in Portuguese - Note 22)

	Notes	2012
Gains / losses related with financial investments	6	71.591.298
Supplies and services	15	(649.599)
Other expenses and loss	16	(7.800)
Income before financial results, taxes and depreciation		70.933.900
Operating income (before financing expenses and taxes)		70.933.900
Interest and similar revenues	17	14.254
Interest and similar losses	17	(447)
Income before taxes		70.947.707
Income taxes of the year	7	-
Net Profit of the year		70.947.707
Basic earning per share	20	**1.419**

The accompanying notes are integral part of the statment of profit and loss by nature for the period from February 27 (date of incorporation) to December 31, 2012

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

ALTICE PORTUGAL, S.A.

STATEMENT OF CASH FLOWS FOR THE PERIOD

BETWEEN FEBRUARY 27 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

(Amounts in Euros)

(Translation of a document originally issued in Portuguese - Note 22)

	Notes	2012
Cash flows from operating activities		
Payments to suppliers		(575.634)
Cash generated from operations		(575.634)
Cash flows from operating activities (1)		(575.634)
Cash flows from investing activities		
Receipts from:		
Interest and similar income		10.697
		10.697
Cash flows from investing activities (2)		10.697
Cash flows from financing activities		
Receipts from:		
Share capital and other equity instruments		50.000
Other financing transactions		35.100.000
		35.150.000
Payments relating to:		
Other financing transactions		(31.000.000)
		(31.000.000)
Cash flows from financing activities (3)		4.150.000
Change in cash and cash equivalents (1 +2 +3)		3.585.063
Effect of exchange differences		-
Cash and cash equivalents at beginning of year	4	-
Cash and cash equivalents at the end of the year	4	3.585.063

The accompanying notes are integral part of the statements of cash flows for the period from February 27 (date of incorporation) to December 31, 2012.

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

ALTICE PORTUGAL, S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD FEBRUARY 27 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

(Amounts in Euros)

(Translation of a document originally issued in Portuguese - Note 22)

	Notes	Capital	Net Profit of the year
Balance at February 27, 2012		-	-
Net Profit of the year			70.947.707
Transactions with equity shareholders in the period:			
Share capital	9	50.000	-
		50.000	-
Balance at December 31, 2012		50.000	70.947.707

The accompaning notes integral part of the changes in equity
for the period from February 27 (date of incorporation) to December 31, 2012.

THE CHARTERED ACCOUNTANT

THE BOARD O

1. INTRODUCTORY NOTE

Altice Portugal, S.A. ("Company") is an anonymous company, with headquarter located in Lisboa. It was incorporated on February 27, 2012, and its core business is the establishment, management and operation of infrastructure and telecommunications systems, the supply of telecommunications and/or television services, directly or indirectly related to them, so that the financial statements include accounting movements occurred between that date and December 31, 2012.

The Company is included in the Altice Group, being owned by Altice VII, S.à.r.l. and Codilink, S.à.r.l. with 60% and 40% of its capital, respectively.

The financial statements were authorized for issuance on 5th March 2013 by the Board of Directors and will be subject to approval by the General Assembly, in accordance with company law in force in Portugal.

2. REFERENCE ACCOUNTING SYSTEM USED IN THE PREPARATION OF FINANCIAL STATEMENTS

As mentioned in the introductory note, the Company started its activity at the end of February 2012. In this context, the financial statements were prepared for the year ended 31 December 2012 which comprise only 10 month period ended in December 2012. Accordingly, no comparative financial statements are presented.

The accompanying financial statements have been prepared in compliance with the provisions in force in Portugal for the years starting January 1, 2010, in accordance with Decree-Law 158/2009 of July 13, 2009, and the conceptual structure, accounting and financial reporting standards ("Normas Contabilísticas e de Relato Financeiro" "NCRF") and related interpretation standards ("IS"), respectively; and Notices 15652/2009, 15655/2009 and 15653/2009 of August 27, 2009, which together constitute the Portuguese Accounting Standards System ("Sistema de Normalização Contabilística" or "SNC"). These standards and interpretations are hereinafter referred to as "NCRF".

3. MAIN ACCOUNTING POLICIES

3.1 Basis of presentation

The financial statements were prepared on a going concern basis, as from the Company's accounting records, in accordance with the principles defined in the Accounting Standards System (Sistema de Normalização Contabilística – SNC") that are in force at the date of these financial statements presentation.

3.2 *Goodwill and Badwill*

The *goodwill* represents the excess of acquisition cost over the fair value of identifiable assets and liabilities of a subsidiary at the date of acquisition. Where the cost of acquisition is less than the fair value of identifiable net assets (*badwill*), the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

The *goodwill* is recorded as an asset and is not subject to depreciation being reflected separately in the balance sheet. Annually, the amounts of goodwill are subject to impairment tests. Any impairment loss is recognized immediately as an expense in the income statement of the period and can´t be subsequently reversed (Note 14).

On disposal of a subsidiary, Goodwill is included in determining the gain or loss.

3.3 Financial investments

Investments in subsidiaries are accounted for using the equity method. Under this method, investments are initially recorded at their acquisition cost and subsequently adjusted by changes after the acquisition, the Company's share in the net assets of those entities. The results of the Company include the part that corresponds to the results of these entities.

The excess of the cost of acquisition over the fair value of identifiable assets and liabilities of each acquired entity at the date of acquisition is recognized as goodwill and is reflected in the value of financial investment. The difference between the acquisition cost and the fair value of assets and liabilities acquired as negative, it is recognized as income of the year.

An assessment of investments is done, when there are indications of impairment, which are recorded as expenses in the income statement.

When the ratio of the accumulated losses of the Company subsidiary exceeds the value of the investment is registered, the investment is reported at null value, unless the Company has agreed to cover losses of associated, cases in which the additional losses are recognized as liabilities. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Unrealized gains on transactions with subsidiaries are eliminated in proportion to the Company's interest in them, against the relevant heading of the investment. Unrealized losses are eliminated similarly but only to the extent that the loss does not result in a situation in which the transferred asset is impaired.

3.4. Impairment of tangible assets

Whenever there is some indication that the tangible fixed assets of the Company may be impaired, an estimate of its recoverable value is made as to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash – generating unit to which the asset belongs.

The recoverable amount of the asset or cash-generating unit is the higher of (i) the fair value less costs to sell and (ii) the value in use. In determining the amount of use, the estimated future cash flows are discounted using a discount rate that reflects market expectations for the time value of money and the risks specific to the asset or cash-generating unit for which the estimates of future cash flows have not been adjusted. An impairment loss is recognized when the net value of the asset or cash-generating unit exceeds its recoverable amount. The impairment loss is recorded immediately in the income statement, unless such loss offsets a revaluation surplus recorded in equity. In this case, such loss is treated as a decrease of such revaluation.

The reversal an impairment loss recognized in prior years is accounted only when there are certainties that the impairment loss is no longer applicable or has been decreased. The reversal of impairment loss is recognized in the income statement, in the caption "Impairment losses reversal" The reversal of the impairment loss is made up to the amount that would be recognized (net of depreciation) if the loss had not been recorded.

3.5. Income tax

The income tax is recorded in accordance with the criteria of IAS 25 - "Income Taxes". In measuring the relative cost to the tax on income for the year, in addition to the current tax, calculated based on income before tax, adjusted by the tax laws applicable, are also considered the effects of temporary differences between income before taxes and taxable income arising of the results from prior years, as well the effect of tax losses carried forward at balance date.

As per the IAS criteria are recognized deferred tax assets only when there is reasonable assurance that these may be used to reduce future taxable income, or when there are deferred tax liabilities whose reversal is expected in the same period in which the tax deferred tax assets are reversed. At the end of each financial year the Company reviews the deferred tax assets, which are reduced when longer probable future use.

The compensation between assets and liabilities of deferred taxes is allowed only in the following situations: (i) The Company has the legal right of compensate assets with liabilities for liquidation purposes; (ii) assets and liabilities are related with income tax charged by the same Tax Authority and; (iii) the Company intends to compensate assets and liabilities.

3.6. Financial assets and liabilities

Financial assets and liabilities are recognized when it becomes part of a contractual relationship.

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes part to the contractual provisions corresponding.

Financial assets and financial liabilities are measured at cost or amortized cost.

Financial assets and financial liabilities are measured at cost or amortized cost less any accumulated impairment losses (in the case of financial assets) when:

- Whether the spot or have a maturity defined, and

- Have an associated return fixed or determinable, and

- Not whether or not incorporating a derivative financial instrument.

Amortized cost is the value by which a financial asset or financial liability is measured at initial recognition, less capital repayments, plus or minus the cumulative amortization, using the effective interest rate, any difference between that amount in maturity. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts in the net book value of the financial asset or liability.

The financial assets and financial liabilities at cost or amortized cost include:

a) Cash and cash equivalents

Cash and cash equivalents includes cash and overnight deposits, and that can be mobilized immediately with insignificant risk of changes in value

b) Accounts payable and other;

The balances of suppliers and other payables are booked at amortized cost. Usually, the amortized cost of these liabilities does not differ from its nominal value.

c) Financing obtained.

The financing obtained are recorded as liabilities at amortized cost.

They are still classified as "at cost or amortized cost", being measured at cost less accumulated impairment losses, the contracts to grant or loans that cannot be settled on a net basis and, when executed, fulfill the conditions described above.

Amortized cost is determined using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net book value of the financial asset or liability.

Impairment of financial assets

Financial assets classified in the category "at cost or amortized cost" are tested for impairment at each reporting date. Such financial assets are impaired when there is objective evidence that, as a result of one or more events after the initial recognition, their estimated future cash flows are negatively affected.

For financial assets measured at amortized cost, the impairment loss recognized corresponds to the difference between the net present value of the estimated future cash flows of the assets and the carrying amount at the respective original effective interest rate.

For financial assets measured at cost, the impairment loss recognized corresponds to the difference between the assets’ carrying amount and the best estimate of fair value of the asset.

Impairment losses are recognized in income statement under "Impairment losses" in the period in which are determined.

Subsequently, if the amount of the impairment loss decreases, and this decrease can be related objectively to an event that took place after the recognition of loss, this must be reversed in the income statement. The reversal shall be effected within the limits of the amount that would be recognized (amortized cost) if the loss had not been initially recorded. Reversal of impairment losses are recognized in the caption "Reversal of impairment losses."

Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows expire, or when the financial assets and the risks and rewards of its ownership are transferred to another entity. The Company derecognizes the financial assets transferred, when the transfer of control effectively takes place for the same risk and significant retained rewards.

The Company derecognizes liabilities only when the corresponding obligation is settled, canceled or expires.

3.7. Provisions, contingent liabilities and assets

Provisions

Provisions are recognized when, the Company has a present obligation (legal or implicit) resulting from a past event under which it is probable that it will have an outflow of resources to resolve the obligation, and the amount of the obligation can be reasonably estimated.

The established provision is the management´s best estimate of the net present value, at each balance sheet date, of the obligation and the estimate is determined considering risks and uncertainties related with said obligation.

At each balance sheet date, provisions are reviewed and adjusted to reflect the management´s best estimate at that date. When it is no longer probable settlement of the obligation, the provision is reversed.

The present obligations arising from onerous contracts are recognized and measured as provisions. There is an onerous contract when the company is part of the provisions of a contract or agreement, the fulfillment of which has associated costs that cannot be avoided, which exceed the economic benefits resulting from the same.

A provision for restructuring is recognized when the Company develops a detailed formal restructuring plan and begins to implement it or announces its main components to its stakeholders. In measuring the provision for restructuring only those expenditures that derive directly from the corresponding implementation plan are considered and therefore not those related to the ongoing activities of the Company.

Contingent Liabilities

Contingent liabilities are not recognized in financial statements, but are disclosed if the possibility of an outflow of resources covering economic benefits is not remote.

Contingent Assets

Contingent assets are not recognized in the financial statements, but are disclosed when it is probable that a future economic inflow will occur.

3.8 Accrual

The income and expenses are recorded according to the accrual basis for which is recognized as it accrues, regardless of when they are received or paid. The differences between the amounts invoiced to customers or invoiced by suppliers and the amounts of income and expense recognized in the income statement are recorded as assets or liabilities.

3.9 Borrowing costs

Financial costs related to borrowings are generally recognized as expenses when incurred.

3.10 Subsequent events

Events that occur after the balance sheet date that provide additional information on conditions that existed as balance sheet date are reflected in the financial statements. Events that occur after the balance sheet date that provides information on conditions that exist after the balance sheet date, if material, are disclosed in the financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2012 were as follows:

	2012
Bank Deposits	3.585.063
	3.585.063

The cash and cash equivalents caption comprise cash on hand and bank deposits mobilized immediately bear interest at current market rates.

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

During the year ended December 31, 2012, there were no changes in accounting policies or significant changes in estimates.

6. FINANCIAL INVESTMENTS

In the year ended December 31, 2012 the movement in investments and impairment losses were as follows:

Financial investments - equity method:

	Investments in Subsidiaries
Balance as of February 27, 2012	-
Acquisitions (a)	45.000.000
Application of the equity method (b)	71.591.298
Capital decrease in subsidiaries (c)	(35.100.000)
Balance as of December 31, 2012	81.491.298

(a) The acquisitions made in the year 2012 are presented as follows:

Company	% purchased	Effective date of acquisition	Equity	Equity at fair value	Aqcuisition value	Negative *goodwill* recorded (Note 14)
Cabovisão - Televisão por Cabo, S.A.	100%	27-Feb-12	9.959.262 i)	140.868.443	45.000.000	(95.868.443) ii)
			9.959.262	140.868.443	45.000.000	(95.868.443)

I) Corresponds to the value of equity of the subsidiary at the acquisition date (February 27, 2012) adjusted for reversal of impairment in the "network", specifically related to their major fixed assets, made after the date of acquisition in the total net amount of 130.909.181 Euros (net of amortization).

II) Negative *goodwill* (*badwill*) determined from the acquisition of the financial asset was recognized as a gain in the income statement (Note 14).

On February 28, 2012, by resolution at a General Meeting, it was approved by the representative and Sole Director of the Company, the acquisition of the total share capital and the rights of "Cabovisão – Televisão por Cabo,S.A. in the amount of 45 million Euros, by a contract of purchase and sale of shares.

(b) As a result of applying the equity method at 31 December 2012, the following movements were reordered:

	2012			
Description	Expenses and losses in subsidiaries	Income and agains in subsidiaries		Financial holdings - Equity method
Investments in subsidiaries:				
Cabovisão - Televisão por Cabo, S.A.	(24.277.145)	95.868.443	(i)	71.591.298
	(24.277.145)	95.868.443		71.591.298

(i) Corresponds to the recognition of the resulting difference (gain) between the acquisition cost and the fair value of identifiable net assets, recorded as income statement for the period in which the acquisition occurred.

(c) During 2012, the subsidiary returned accessory contributions to the Company (under supplementary payments), totaling 35.100.000 Euros.

Investments in subsidiaries

On December 31, 2012, the detail of the investments in subsidiaries is as follows:

Description	Headquarters	total Assets	Total income	Equity		Net loss	Percentage held	Balance sheet value
Cabovisão - Televisão por Cabo, S.A.	Palmela	160.433.557	117.489.741	81.491.298	(a)	(3.178.194)	100%	81.491.298
								81.491.298

The Company is not required to prepare consolidated financial statements in accordance with paragraph 3 of Article 7 of Decree-Law no. 158/2009 of 13 July.

7. TAXES

The Company is subject to corporate income tax at the rate of 25% increased by a municipal surcharge at the applicable rate of 1.5%, on taxable profit. Additionally, from January 1, 2012 the portion of taxable income in excess of 1.5 million Euros subject to state tax at the rate of 3% and 5% state tax rate on the portion of taxable income that exceeds 10 million Euros, in accordance with Article 87-A of the IRC (Income Tax of Legal Persons).

In accordance with the article 88 of the corporate income tax law, the Company is subject to autonomous taxation over some costs incurred by the Company at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security).

These periods can be suspended when there are tax benefits, tax inspections, claims or appeals in progress.

Thus, the Company's tax year 2012 is likely to be subject to further review. The Board of Directors believes that any correction resulting from tax examinations for tax return this year will not have a significant effect on the financial statements at December 31, 2012.

Income tax expense for the year

During the year ended December 31, 2012, there were no movements of income tax for the year to be declared by the Company.

Reconciliation of tax rate:

	2012
Loss before tax	70.947.707
Permanent differences (i)	(71.583.498)
Fiscal Loss	(635.791)
Tax nominal of income	25,0%
Pours	0,0%
	(158.948)
Fiscal loss to be reported	158.948
Tax on income for the year	-
Effective tax rate	0,00%

On December 31, 2012, this amount was as follows:

	2012
Effect of applying the equity method (Note 14)	26.358.624
Fines, penalties and compensatory interests (Note16)	7.800
Accounting gains (Note 14)	(97.949.922)
	(71.583.498)

Deferred tax

On December 31, 2012, the Company chose not to register in the financial statements, the deferred tax assets related to tax losses as there is no reasonable expectation that future results generated by the operating activities of the Company are sufficient to accomplish.

Under the current legislation, tax losses are carried forward for a period of five years after its occurrence and can be deducted from profits generated during this period, with a deduction limited to 75% of taxable income.

On December 31, 2012, the tax losses generated amounted to 635 791 Euros and mature as follows:

Period in which the tax loss was generated	Period in which the tax loss expires	Tax loss not considered reportabl for deferred tax effect
2012	2017	(635.791)
		(635.791)

8. STATE AND OTHER PUBLIC ENTITIES

On December 31, 2012, this caption was as follows:

	2012
	Asset
Income Corporate Tax ("IRC")	-
Special Payments on Account	3.564
Value Added Tax (VAT) (a)	43.925
	47.489

(a) The caption "Value Added Tax", corresponds to the clearance of tax chargeable for the year 2012. The Company has chosen not to claim your refund that amount will be deducted in the calculation to perform in the first quarter of 2013.

9. EQUITY INSTRUMENTS

Equity composition:

On December 31, 2012, the Company's share capital was fully subscribed and paid amounted to Euros 50,000 Euros consisting of 50,000 shares with a nominal value of 1 euro being held as follows:

	2012	
	%	Amount
Altice VII, S.à.r.l	60%	30.000
Codilink, S.à.r.l	40%	20.000
		50.000

On February 27, 2012, it was approved the establishment of the Company Rightproposal - Telecommunications, S.A. ("Rightproposal") headquartered in Lisbon, capital of 50,000 Euros, done by bank transfer on that date.

On March 16, 2012, by resolution at a General Meeting and following the acquisition of the Company by Altice VII, S.à.rl, it was approved the change of name of Rightproposal for Altice Portugal, SA, and proceed to the division of title representative of capital in several titles.

Legal reserve:

The legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until it represents at least 20% of capital. This reserve is not distributable except in case of liquidation of the Company, but can be used to absorb losses after the other reserves, or increase capital.

10. CONTINGENT LIABILITIES

Contingent Liabilities

Real guarantees:

On November 30, 2012, it was approved unanimously by the Board of Directors the consent and entering into a contract to the pledging of shares representing the share capital (60%) of the majority shareholder Altice VII, S.à.rl, for guarantee of obligations assumed under contract funding in the amount of 45,000,000 USD, to be concluded between the shareholder and financial entities Goldman Sachs Bank USA, HSBC Bank PLC and Morgan Stanley Bank International Limited.

On December 31, 2012, there is a bond issued by Goldman Sachs International in the amount of 25.000.000 Euros which was fully subscribed by Cabovisão – Televisão por Cabo, SA a collateralized financial first degree of all bank accounts held by subsidiary (unless the account of demand deposits with HSBC France and a current account with the CGD, SA) and pledge of the shares representing the capital of the subsidiary and the rights of shareholders.

11. LOANS

On December 31, 2012 this caption is as follows:

	2012
	Current
Loans Group Companies (Note 18)	14.000.000
	14.000.000

The financing from the Group company and majority shareholder Altice VII S.à.rl for acquisition of financial share of subsidiary in the amount of Euros 45,000,000 Euros, does not bear interest and has no defined maturity, therefore it was considered as a current liability.

During 2012, the Company proceeded to the amortization of part of the capital funding, in the amount of 31,000,000 Euros, related with to repayment of supplementary by the subsidiary Company.

12. SUPPLIERS

On 31 December 2012, this caption is as follows:

	2012
Suppliers – current account	63.432
	63.432

13. OTHER ACCOUNTS PAYABLE

On December 31, 2012, this caption is as follows:

	2012
Creditors by accrued expenses:	
Supplies and external services	62.711
	62.711

14. GAINS / LOSSES OF SUBSIDIARIES CHARGED

On 31 December 2012 this caption is as follows:

	2012
Application of the equity method	
Gains and losses (Note 6)	(26.358.624)
	(26.358.624)
Financial investments	
Gains obtained in the acquisition of shareholdings(Note 6)	
Cabovisão - Televisão por Cabo, S.A.	97.949.923
	97.949.923
	71.591.299

15. SUPPLIES AND EXTERNAL SERVICES

In the year 2012, the caption of supplies and services is presented as follows:

	2012
Specialized Work (i)	647.129
Advertising	2.470
	649.599

(i) During the year ended December 31, 2012, the caption "Specialized Work", refers to incurred expenses with legal services and legal consultants of the Company, related with the process of its formation and acquisition of shares of Cabovisão – Televisão por Cabo, S.A..

16. OTHER EXPENSES AND LOSSES

In the year 2012 the other expenses and losses were as follows:

	2012
Taxes	7.500
Other expenses and losses:	
Fines and penalties	300
	7.800

17. INTEREST INCOME AND EXPENSE AND SIMILAR OBTAINED AND SUPPORTED

In the year 2012, the interest income and similar expenses incurred were obtained and the following:

	2012
Interest income and expense and similar obtained:	
Interest income obtained	14.254
	14.254
Interest income and expense and similar supported:	
Other similar expenses	447
	447

18. RELATED PARTIES

The Company's share capital is held by entities Altice VII, S.à.rl and Codilink, S.à.r.l. with 60% and 40% equity respectively and hence the operations and transactions of the Company are influenced by the decisions of the Altice Group, to which it belongs.

Balance between parties:

On December 31, 2012 balances with related parties are as follows:

	Obtained Loans (Note 11)
Shareholder	
Altice VII, S.à.r.l	14.000.000
	14.000.000

Transactions between parties:

In the year ended December 31, 2012 there were no transactions with related parties.

19. SUBSEQUENT EVENTS POST-CLOSING

No subsequent event is known to date, with significant impact on the financial statements at December 31, 2012.

After the end of the year and up to this report, there were no other facts which might alter the situation disclosed in the financial statements, for the purposes of subparagraph b) of paragraph 5 of Article 66 of the Commercial Companies Code.

20. EARNINGS PER SHARE

In the year ended December 31, 2012, the basic earnings per share were as follows:

	2012
Net Loss for the year	70.947.707
Weighted average number of shares in calculation	50.000
Basic Loss per share (in Euros)	1.419

In the year ended December 31, 2012, by the fact that there are no situations in which originate dilution, the diluted earnings per share is equal to basic earnings per share.

21. DISCLOSURES REQUIRED BY LEGISLATION

Fees invoiced by the Statutory Auditors

The total fees charged or to be charged by the Statutory Auditors for the year ended December 31, 2012, relating to the annual statutory audit amounted to 1,000 Euros.

22. ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS AND NOTES

These financial statements, format and disclosures are a translation of financial statements originally issued in Portuguese in accordance with SNC ("Sistema de Normalização Contabilística"), some of which may not conform to or be required by Generally Accepted Accounting Principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

THE BOARD OF DIRECTORS THE CHARTERED ACCOUNTANT

Altice Blue One

Société par Actions Simplifiée

66, avenue des Champs Elysées
75008 Paris

Rapport du Commissaire aux Comptes sur les comptes annuels

Exercice clos le 31 décembre 2012

Altice Blue One

Société par Actions Simplifiée

66, avenue des Champs Elysées
75008 Paris

Rapport du Commissaire aux Comptes
sur les comptes annuels

Exercice clos le 31 décembre 2012

A l'Associé Unique,

En exécution de la mission qui nous a été confiée par vos soins, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2012, sur :

- le contrôle des comptes annuels de la société Altice Blue One, tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- les vérifications et informations spécifiques prévues par la loi.

Les comptes annuels ont été arrêtés par le Président. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I. Opinion sur les comptes annuels

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes annuels. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note « Evènements post-clôture » de l'annexe qui précise le contexte dans lequel a été appliqué le principe de continuité d'exploitation.

II. Justification des appréciations

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

Les titres de participation dont le montant net figurant au bilan s'élève à 37 835 milliers d'euros, sont évalués à leur coût d'acquisition et dépréciés sur la base de leur valeur d'utilité selon les modalités décrites dans la note « Règles et méthodes comptables – Immobilisations financières et valeurs mobilières de placement » de l'annexe.

Sur la base des informations qui nous ont été communiquées, nos travaux ont consisté à apprécier les données sur lesquelles se fondent ces valeurs d'utilité, notamment à revoir l'actualisation des perspectives de rentabilité des activités concernées et de réalisation des objectifs, et à contrôler la cohérence des hypothèses retenues avec les données prévisionnelles issues des plans stratégiques établis par chacune de ces activités sous le contrôle de la direction générale.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes annuels, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III. Vérifications et informations spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Président et dans les documents adressés à l'Associé unique sur la situation financière et les comptes annuels.

Neuilly-sur-Seine, le 20 juin 2013

Le Commissaire aux Comptes

Deloitte & Associés

Christophe SAUBIEZ

AGREMENT DGFIP C5113.10012
Formulaire obligatoire (article 53 A
du code général des impôts).

1

BILAN - ACTIF

DGFiP N°2050 2013

EXEMPLAIRE A CONSERVER PAR LE DÉCLARANT

Désignation de l'entreprise : ALTICE BLUE ONE SAS — Durée de l'exercice exprimée en nombre de mois * 12

Adresse de l'entreprise 66 Avenue des Champs Elysees 75008 PARIS — Durée de l'exercice précédent * 12

Numéro SIRET* 50954399700019 — Néant □*

				Exercice N clos le, 31122012				N-1 31122011
				Brut 1		Amortissements, provisions 2	Net 3	Net 4
		Capital souscrit non appelé (I)	AA					
ACTIF IMMOBILISÉ *	IMMOBILISATIONS INCORPORELLES	Frais d'établissement *	AB		AC			
		Frais de développement *	CX		CQ			
		Concessions, brevets et droits similaires	AF		AG			
		Fonds commercial (1)	AH		AI			
		Autres immobilisations incorporelles	AJ		AK			
		Avances et acomptes sur immobilisations incorporelles	AL		AM			
	IMMOBILISATIONS CORPORELLES	Terrains	AN		AO			
		Constructions	AP		AQ			
		Installations techniques, matériel et outillage industriels	AR		AS			
		Autres immobilisations corporelles	AT		AU			
		Immobilisations en cours	AV		AW			
		Avances et acomptes	AX		AY			
	IMMOBILISATIONS FINANCIÈRES (2)	Participations évaluées selon la méthode de mise en équivalence	CS		CT			
		Autres participations	CU	37 834 744	CV		37 834 744	37 834 744
		Créances rattachées à des participations	BB		BC			
		Autres titres immobilisés	BD		BE			
		Prêts	BF	22 050 893	BG		22 050 893	30 790 789
		Autres immobilisations financières*	BH		BI			
		TOTAL (II)	BJ	59 885 637	BK		59 885 637	68 625 533
ACTIF CIRCULANT	STOCKS *	Matières premières, approvisionnements	BL		BM			
		En cours de production de biens	BN		BO			
		En cours de production de services	BP		BQ			
		Produits intermédiaires et finis	BR		BS			
		Marchandises	BT		BU			
		Avances et acomptes versés sur commandes	BV		BW			
	CRÉANCES	Clients et comptes rattachés (3)*	BX	805 087	BY		805 087	805 087
		Autres créances (3)	BZ	3 282 703	CA		3 282 703	3 092 626
		Capital souscrit et appelé, non versé	CB		CC			
	DIVERS	Valeurs mobilières de placement (dont actions propres : ....)	CD		CE			
		Disponibilités	CF	255 241	CG		255 241	155 521
Comptes de régularisation		Charges constatées d'avance (3)*	CH	35 000	CI		35 000	35 000
		TOTAL (III)	CJ	4 378 031	CK		4 378 031	4 088 234
		Frais d'émission d'emprunt à étaler (IV)	CW					
		Primes de remboursement des obligations (V)	CM					
		Écarts de conversion actif * (VI)	CN	8 638 038			8 638 038	8 320 845
		TOTAL GÉNÉRAL (I à VI)	CO	72 901 706	1A		72 901 706	81 034 612

Renvois : (1) Dont droit au bail :		(2) Part à moins d'un an des immobilisations financières nettes :	CP	(3) Part à plus d'un an :	CR
Clause de réserve de propriété :*	Immobilisations :	Stocks :		Créances :	

* Des explications concernant cette rubrique sont données dans la notice n°2032

SAGE Experts-comptables janvier 2013 : Etat préparatoire.

AGREMENT DGFIP C5113.10012 ②

BILAN - PASSIF avant répartition

DGFiP N°2051 2013

Formulaire obligatoire (article 53 A
du Code général des impôts)

EXEMPLAIRE A CONSERVER PAR LE DÉCLARANT

Désignation de l'entreprise ALTICE BLUE ONE SAS

Néant □*

			Exercice N	Exercice N-1
CAPITAUX PROPRES	Capital social ou individuel (1)* (Dont versé : 4 337 000)	DA	4 337 000	4 337 000
	Primes d'émission, de fusion, d'apport, ...	DB		
	Ecarts de réévaluation (2) * (dont écart d'équivalence EK)	DC		
	Réserve légale (3)	DD		
	Réserves statutaires ou contractuelles	DE		
	Réserves réglementées (3)* (Dont réserve spéciale des provisions pour fluctuation des cours B1)	DF		
	Autres réserves (Dont réserve relative à l'achat d'oeuvres originales d'artistes vivants* EJ)	DG		
	Report à nouveau	DH	(19 592 769)	(15 146 554)
	RÉSULTAT DE L'EXERCICE (bénéfice ou perte)	DI	(3 446 038)	(4 446 215)
	Subventions d'investissement	DJ		
	Provisions réglementées *	DK	1 078 060	780 489
	TOTAL (I)	DL	(17 623 747)	(14 475 281)
Autres fonds propres	Produit des émissions de titres participatifs	DM		
	Avances conditionnées	DN		
	TOTAL (II)	DO		
Provisions pour risques et charges	Provisions pour risques	DP	8 638 038	8 320 845
	Provisions pour charges	DQ		
	TOTAL (III)	DR	8 638 038	8 320 845
DETTES (4)	Emprunts obligataires convertibles	DS		
	Autres emprunts obligataires	DT		
	Emprunts et dettes auprès des établissements de crédit (5)	DU	71 276 533	77 271 642
	Emprunts et dettes financières divers (Dont emprunts participatifs EI)	DV	6 387 885	5 871 954
	Avances et acomptes reçus sur commandes en cours	DW		
	Dettes fournisseurs et comptes rattachés	DX	196 667	218 267
	Dettes fiscales et sociales	DY	209 314	83 687
	Dettes sur immobilisations et comptes rattachés	DZ		
	Autres dettes	EA	1 512	
Compte régul.	Produits constatés d'avance (4)	EB		
	TOTAL (IV)	EC	78 071 911	83 445 550
	Ecarts de conversion passif * **(V)**	ED	3 815 504	3 743 497
	TOTAL GÉNÉRAL (I à V)	EE	72 901 706	81 034 612
RENVOIS	(1) Écart de réévaluation incorporé au capital	1B		
	(2) Dont Réserve spéciale de réévaluation (1959)	1C		
	Écart de réévaluation libre	1D		
	Réserve de réévaluation (1976)	1E		
	(3) Dont réserve spéciale des plus-values à long terme *	EF		
	(4) Dettes et produits constatés d'avance à moins d'un an	EG	78 071 911	83 445 550
	(5) Dont concours bancaires courants, et soldes créditeurs de banques et CCP	EH		11 740

* Des explications concernant cette rubrique sont données dans la notice n° 2032.

SAGE Experts-comptables janvier 2013 : Etat préparatoire.

AGREMENT DGFIP C5113.10012

Formulaire obligatoire (article 53 A du Code général des impôts).

3

COMPTE DE RÉSULTAT DE L'EXERCICE (En liste)

DGFiP N°2052 2013

Désignation de l'entreprise : ALTICE BLUE ONE SAS

Néant □*

EXEMPLAIRE A CONSERVER PAR LE DÉCLARANT

			Exercice N					Exercice (N-1)
			France		Exportations et livraisons intracommunautaires		Total	
PRODUITS D'EXPLOITATION	Ventes de marchandises*	FA		FB		FC		
	Production vendue { biens*	FD		FE		FF		
	Production vendue { services*	FG	396 842	FH		FI	396 842	322 439
	Chiffres d'affaires nets*	FJ	396 842	FK		FL	396 842	322 439
	Production stockée*					FM		
	Production immobilisée*					FN		
	Subventions d'exploitation					FO		
	Reprises sur amortissements et provisions, transferts de charges* (9)					FP		
	Autres produits (1) (11)					FQ	3	2
	Total des produits d'exploitation (2) (I)					FR	396 845	322 442
CHARGES D'EXPLOITATION	Achats de marchandises (y compris droits de douane)*					FS		
	Variation de stock (marchandises)*					FT		
	Achats de matières premières et autres approvisionnements (y compris droits de douane)*					FU		
	Variation de stock (matières premières et approvisionnements)*					FV		
	Autres achats et charges externes (3) (6 bis)*					FW	146 650	558 798
	Impôts, taxes et versements assimilés*					FX	4 663	2 735
	Salaires et traitements*					FY	372 244	226 367
	Charges sociales (10)					FZ	142 600	92 698
	DOTATIONS D'EXPLOITATION — Sur immobilisations { - dotations aux amortissements*					GA		
	DOTATIONS D'EXPLOITATION — Sur immobilisations { - dotations aux provisions					GB		
	DOTATIONS D'EXPLOITATION — Sur actif circulant : dotations aux provisions *					GC		
	DOTATIONS D'EXPLOITATION — Pour risques et charges : dotations aux provisions					GD		
	Autres charges (12)					GE	3	209
	Total des charges d'exploitation (4) (II)					GF	666 160	880 807
1 - RÉSULTAT D'EXPLOITATION (I - II)						GG	(269 314)	(558 365)
opérations en commun	Bénéfice attribué ou perte transférée* (III)					GH		
	Perte supportée ou bénéfice transféré* (IV)					GI		
PRODUITS FINANCIERS	Produits financiers de participations (5)					GJ		
	Produits des autres valeurs mobilières et créances de l'actif immobilisé (5)					GK	1 294 847	1 754 700
	Autres intérêts et produits assimilés (5)					GL		2 182
	Reprises sur provisions et transferts de charges					GM		
	Différences positives de change					GN	988	13 301
	Produits nets sur cessions de valeurs mobilières de placement					GO		
	Total des produits financiers (V)					GP	1 295 836	1 770 183
CHARGES FINANCIERES	Dotations financières aux amortissements et provisions*					GQ	317 193	1 117 220
	Intérêts et charges assimilées (6)					GR	3 782 068	4 243 242
	Différences négatives de change					GS		
	Charges nettes sur cessions de valeurs mobilières de placement					GT		
	Total des charges financières (VI)					GU	4 099 262	5 360 462
2 - RÉSULTAT FINANCIER (V - VI)						GV	(2 803 426)	(3 590 279)
3 - RÉSULTAT COURANT AVANT IMPÔTS (I - II + III - IV + V - VI)						GW	(3 072 740)	(4 148 644)

SAGE Experts-comptables janvier 2013 : Etat préparatoire.

(RENVOIS : voir tableau n° 2053) * Des explications concernant cette rubrique sont données dans la notice n° 2032.

AGREMENT DGFIP C5113.10012

Formulaire obligatoire (article 53 A
du Code général des impôts)

4

COMPTE DE RÉSULTAT DE L'EXERCICE (Suite)

DGFiP N°2053 2013

EXEMPLAIRE A CONSERVER PAR LE DÉCLARANT

Désignation de l'entreprise ALTICE BLUE ONE SAS

Néant □*

			Exercice N	Exercice N - 1
PRODUITS EXCEPTIONNELS	Produits exceptionnels sur opérations de gestion	HA		
	Produits exceptionnels sur opérations en capital *	HB		
	Reprises sur provisions et transferts de charges	HC		
	Total des produits exceptionnels (7) **(VII)**	HD		
CHARGES EXCEPTIONNELLES	Charges exceptionnelles sur opérations de gestion (6 *bis*)	HE	212 146	
	Charges exceptionnelles sur opérations en capital *	HF		
	Dotations exceptionnelles aux amortissements et provisions	HG	297 571	297 571
	Total des charges exceptionnelles (7) **(VIII)**	HH	509 717	297 571
4 - RÉSULTAT EXCEPTIONNEL (VII - VIII)		HI	(509 717)	(297 571)
Participation des salariés aux résultats de l'entreprise	**(IX)**	HJ		
Impôts sur les bénéfices *	**(X)**	HK	(136 419)	
	TOTAL DES PRODUITS (I + III + V + VII)	HL	1 692 681	2 092 624
	TOTAL DES CHARGES (II + IV + VI + VIII + IX + X)	HM	5 138 719	6 538 840
5 - BÉNÉFICE OU PERTE (Total des produits - total des charges)		HN	(3 446 038)	(4 446 215)

RENVOIS	(1)	Dont produits nets partiels sur opérations à long terme	HO		
	(2) Dont	produits de locations immobilières	HY		
		produits d'exploitation afférents à des exercices antérieurs (à détailler au (8) ci-dessous)	1G		
	(3) Dont	- Crédit-bail mobilier *	HP		
		- Crédit-bail immobilier	HQ		
	(4)	Dont charges d'exploitation afférentes à des exercices antérieurs (à détailler au (8) ci-dessous)	1H		
	(5)	Dont produits concernant les entreprises liées	1J		
	(6)	Dont intérêts concernant les entreprises liées	1K		
	(6*bis*)	Dont dons faits aux organismes d'intérêt général (art. 238 *bis* du C.G.I.)	HX		
	(9)	Dont transferts de charges	A1		
	(10)	Dont cotisations personnelles de l'exploitant (13)	A2		
	(11)	Dont redevances pour concessions de brevets, de licences (produits)	A3		
	(12)	Dont redevances pour concessions de brevets, de licences (charges)	A4		
	(13)	Dont primes et cotisations complémentaires personnelles : facultatives A6	obligatoires A9		

(7)	Détail des produits et charges exceptionnels (Si le nombre de lignes est insuffisant, reproduire le cadre (7) et le joindre en annexe) :	Exercice N Charges exceptionnelles	Exercice N Produits exceptionnels
	HONNORAIRES EXCEPTIONNELS	212 146	
	AMORTISSEMENT DEROGATOIRE	297 571	

(8)	Détail des produits et charges sur exercices antérieurs :	Exercice N Charges antérieures	Exercice N Produits antérieurs

SAGE Experts-comptables janvier 2013 : Etat préparatoire.

* Des explications concernant cette rubrique sont données dans la notice n° 2032.

AGREMENT DGFIP C5113.10012
Formulaire obligatoire (article 53 A du Code général des impôts)

5

IMMOBILISATIONS

DGFiP N°2054 2013

Désignation de l'entreprise ALTICE BLUE ONE SAS

Néant □*

(Ne pas reporter le montant des centimes)*

EXEMPLAIRE A CONSERVER PAR LE DÉCLARANT

					Augmentations		
CADRE A	**IMMOBILISATIONS**		Valeur brute des immobilisations au début de l'exercice 1		Consécutives à une réévaluation pratiquée au cours de l'exercice ou résultant d'une mise en équivalence 2		Acquisitions, créations, apports et virements de poste à poste 3
INCORP.	Frais d'établissement et de développement **TOTAL I**	CZ		D8		D9	
INCORP.	Autres postes d'immobilisations incorporelles **TOTAL II**	KD		KE		KF	
CORPORELLES	Terrains	KG		KH		KI	
CORPORELLES	Constructions – Sur sol propre [Dont Composants L9]	KJ		KK		KL	
CORPORELLES	Constructions – Sur sol d'autrui [Dont Composants M1]	KM		KN		KO	
CORPORELLES	Constructions – Installations générales, agencements* et aménagements des constructions [Dont Composants M2]	KP		KQ		KR	
CORPORELLES	Installations techniques, matériel et outillage industriels [Dont Composants M3]	KS		KT		KU	
CORPORELLES	Autres immobilisations corporelles – Installations générales, agencements, aménagements divers *	KV		KW		KX	
CORPORELLES	Autres immobilisations corporelles – Matériel de transport *	KY		KZ		LA	
CORPORELLES	Autres immobilisations corporelles – Matériel de bureau et mobilier informatique	LB		LC		LD	
CORPORELLES	Autres immobilisations corporelles – Emballages récupérables et divers *	LE		LF		LG	
CORPORELLES	Immobilisations corporelles en cours	LH		LI		LJ	
CORPORELLES	Avances et acomptes	LK		LL		LM	
CORPORELLES	**TOTAL III**	LN		LO		LP	
FINANCIÈRES	Participations évaluées par mise en équivalence	8G		8M		8T	
FINANCIÈRES	Autres participations	8U	37 834 744	8V		8W	
FINANCIÈRES	Autres titres immobilisés	1P		1R		1S	
FINANCIÈRES	Prêts et autres immobilisations financières	1T	30 790 789	1U		1V	
FINANCIÈRES	**TOTAL IV**	LQ	68 625 533	LR		LS	
	TOTAL GÉNÉRAL (I + II + III + IV)	ØG	68 625 533	ØH		ØJ	

		Diminutions						Réévaluation légale * ou évaluation par mise en équivalence	
CADRE B	**IMMOBILISATIONS**		par virement de poste à poste 1		par cessions à des tiers ou mises hors service ou résultant d'une mise en équivalence 2		Valeur brute des immobilisations à la fin de l'exercice 3		Valeur d'origine des immobilisations en fin d'exercice 4
INCORP.	Frais d'établissement et de développement **TOTAL I**	IN		CØ		DØ		D7	
INCORP.	Autres postes d'immobilisations incorporelles **TOTAL II**	IO		LV		LW		1X	
CORPORELLES	Terrains	IP		LX		LY		LZ	
CORPORELLES	Constructions – Sur sol propre	IQ		MA		MB		MC	
CORPORELLES	Constructions – Sur sol d'autrui	IR		MD		ME		MF	
CORPORELLES	Constructions – Inst. gales, agencts et am. des constructions	IS		MG		MH		MI	
CORPORELLES	Installations techniques, matériel et outillage industriels	IT		MJ		MK		ML	
CORPORELLES	Autres immobilisations corporelles – Inst. gales, agencts, aménagements divers	IU		MM		MN		MO	
CORPORELLES	Autres immobilisations corporelles – Matériel de transport	IV		MP		MQ		MR	
CORPORELLES	Autres immobilisations corporelles – Matériel de bureau et informatique, mobilier	IW		MS		MT		MU	
CORPORELLES	Autres immobilisations corporelles – Emballages récupérables et divers *	IX		MV		MW		MX	
CORPORELLES	Immobilisations corporelles en cours	MY		MZ		NA		NB	
CORPORELLES	Avances et acomptes	NC		ND		NE		NF	
CORPORELLES	**TOTAL III**	IY		NG		NH		NI	
FINANCIÈRES	Participations évaluées par mise en équivalence	IZ		ØU		M7		ØW	
FINANCIÈRES	Autres participations	IØ		ØX		ØY	37 834 744	ØZ	8 744 497
FINANCIÈRES	Autres titres immobilisés	I1		2B		2C		2D	
FINANCIÈRES	Prêts et autres immobilisations financières	I2		2E	8 639 366	2F	22 050 893	2G	
FINANCIÈRES	**TOTAL IV**	I3		NJ	8 639 366	NK	59 885 637	2H	8 744 497
	TOTAL GÉNÉRAL (I + II + III + IV)	I4		ØK	8 639 366	ØL	59 885 637	ØM	8 744 497

* Des explications concernant cette rubrique sont données dans la notice n° 2032

SAGE Experts-comptables janvier 2013 : Etat préparatoire.

AGREMENT DGFIP C5113.10012

Formulaire obligatoire (article 53 A du Code général des impôts)

5 bis

TABLEAU DES ÉCARTS DE RÉÉVALUATION SUR IMMOBILISATIONS AMORTISSABLES

2013
D.G.F.I.P N° 2054*bis*

EXEMPLAIRE A CONSERVER PAR LE DÉCLARANT

Exercice N clos le 31122012

Les entreprises ayant pratiqué la **réévaluation légale** de leurs **immobilisations amortissables** (art. 238 *bis* J du CGI) doivent joindre ce tableau à leur déclaration jusqu'à (et y compris) l'exercice au cours duquel la provision spéciale (col.6) devient nulle.

Désignation de l'entreprise : ALTICE BLUE ONE SAS

Néant ☒ *

CADRE A	Détermination du montant des écarts (col. 1 - col. 2) (1)		Utilisation de la marge supplémentaire d'amortissement			Montant de la provision spéciale à la fin de l'exercice [(col. 1 - col.2) - col. 5 (5)] 6
			Au cours de l'exercice		Montant cumulé à la fin de l'exercice (4) 5	
	Augmentation du montant brut des immobilisations 1	Augmentation du montant des amortissements 2	Montant des suppléments d'amortissement (2) 3	Fraction résiduelle correspondant aux éléments cédés (3) 4		
1 Concessions, brevets et droits similaires						
2 Fonds commercial						
3 Terrains						
4 Constructions						
5 Installations techniques mat. et out. industriels						
6 Autres immobilisations corporelles						
7 Immobilisations en cours						
8 Participations						
9 Autres titres immobilisés						
10 TOTAUX						

(1) Les augmentations du montant brut et des amortissements à inscrire respectivement aux colonnes 1 et 2 sont celles qui ont été apportées au montant des immobilisations amortissables réévaluées dans les conditions définies à l'article 238*bis* J du code général des impôts et figurant à l'actif de l'entreprise au début de l'exercice. Le montant des écarts est obtenu en soustrayant des montants portés colonne 1, ceux portés colonne 2.

(2) Porter dans cette colonne le supplément de dotation de l'exercice aux comptes d'amortissement (compte de résultat) consécutif à la réévaluation.

(3) Cette colonne ne concerne que les immobilisations réévaluées cédées au cours de l'exercice. Il convient d'y reporter, l'année de la cession de l'élément, le solde non utilisé de la marge supplémentaire d'amortissement.

(4) Ce montant comprend :
a) le montant total des sommes portées aux colonnes 3 et 4 ;
b) le montant cumulé à la fin de l'exercice précédent, dans la mesure où ce montant correspond à des éléments figurant à l'actif de l'entreprise au début de l'exercice.

(5) Le montant total de la provision spéciale en fin d'exercice est à reporter au passif du bilan (tableau n° 2051) à la ligne « Provisions réglementées » .

CADRE B

DÉFICITS REPORTABLES AU 31 DÉCEMBRE 1976 IMPUTÉS SUR LA PROVISION SPÉCIALE AU POINT DE VUE FISCAL

1 - FRACTION INCLUSE DANS LA PROVISION SPÉCIALE AU DÉBUT DE L'EXERCICE		
2 - FRACTION RATTACHÉE AU RÉSULTAT DE L'EXERCICE	-	
3 - FRACTION INCLUSE DANS LA PROVISION SPÉCIALE EN FIN D'EXERCICE	=	

Le cadre B est servi par les seules entreprises qui ont imputé leurs déficits fiscalement reportables au 31 décembre sur la provision spéciale.

Il est rappelé que cette imputation est purement fiscale et ne modifie pas les montants de la provision spéciale figurant au bilan : de même, les entreprises en cause continuent à réintégrer chaque année dans leur résultat comptable le supplément d'amortissement consécutif à la réévaluation.

Ligne 2, inscire la partie de ce déficit incluse chaque année dans les montants portés aux colonnes 3 et 4 du cadre A. Cette partie est obtenue en multipliant les montants portés aux colonnes 3 et 4 par une fraction dont les éléments sont fixés au moment de l'imputation, le numérateur étant le montant du déficit imputé et le dénominateur celui de la provision.

* Des explications concernant cette rubrique sont données dans la notice 2032.

Annexes

Au bilan avant répartition de l'exercice clos le 31/12/2012 dont le total est de 72 901 705,72 euros et au compte de résultat de l'exercice dégageant un résultat de -3 446 037,89 euros, présenté sous forme de liste.

L'exercice a une durée de 12 mois, recouvrant la période du 01/01/2012 au 31/12/2012.

Les notes et tableaux ci-après font partie intégrante des comptes annuels.

L'exercice précédent avait une durée de 12 mois recouvrant la période du 01/01/2011 au 31/12/2011.

Règles et méthodes comptables

Les conventions générales comptables ont été appliquées dans le respect du principe de prudence, conformément aux hypothèses de base :

- continuité de l'exploitation,
- permanence des méthodes comptables d'un exercice à l'autre,
- indépendance des exercices,

et conformément aux règles générales d'établissement et de présentation des comptes annuels.

La méthode de base retenue pour l'évaluation des éléments inscrits en comptabilité est la méthode des coûts historiques.

Les principales méthodes utilisées sont les suivantes:

IMMOBILISATIONS INCORPORELLES ET CORPORELLES

Les immobilisations corporelles sont évaluées à leur coût d'acquisition ou de production, compte tenu des frais nécessaires à la mise en état d'utilisation de ces biens, et après déduction des rabais commerciaux, remises, escomptes de règlements obtenus.

IMMOBILISATIONS FINANCIERES ET VALEURS MOBILIERES DE PLACEMENT

La valeur brute est constituée par le coût d'achat hors frais accessoires. Lorsque la valeur d'inventaire est inférieure à la valeur brute, une dépréciation est constatée pour le montant de la différence.

CREANCES ET DETTES

Les créances et les dettes sont valorisées à leur valeur nominale. Une dépréciation est pratiquée lorsque la valeur d'inventaire est inférieure à la valeur comptable.

Changements de méthode

Les méthodes d'évaluation et de présentation des comptes annuels retenues pour cet exercice n'ont pas été modifiées par rapport à l'exercice précédent.

Etablissement des états financiers en conformité avec :

- le P.C.G. 1999 homologué par arrêté du 22 juin 1999
- les articles L123-12 à L123-28 du Code du Commerce

Evénements post-clôture

- La dette bancaire de Altice blue one sas a été entièrement repayée a ces créanciers en date de 2 juillet 2013 pour un montant total de 65,541,902.00 euros, dont : la tranche euro a hauteur de 31,145,918.92 euros et la tranche chf pour 42,225,687.50 (converti a un taux de 1.232 chf pour 1 euro). Altice blue one sas n'a plus aucune obligation vis à vis de ces créanciers.

- ALTICE VII a cédé a ALTICE BLUE ONE une créance de 17 963 156 CHF en date du 6 Juin 2013.

- En date du 7 juin 2013, ABO a co-signé un accord encadrant les conditions du rapprochement entre le groupe Outremer Telecom et le groupe Altice VII, dont ABO est l'une des filiales. A l'occasion de ce rapprochement, il est prevu que MTVC et WSG deviennent filiales du groupe Outremer Telecom.

Etat des immobilisations

	Valeur brute des immobilisations au début d'exercice	Augmentations	
		Réévaluation en cours d'exercice	Acquisitions, créations, virements pst à pst
Frais d'établissement, recherche et développement			
Autres immobilisations incorporelles			
Terrains			
Constructions sur sol propre			
Constructions sur sol d'autrui			
Installations générales, agencements, constructions			
Installations techniques, matériel et outillages industriels			
Autres installations, agencements, aménagements			
Matériel de transport			
Matériel de bureau, informatique, mobilier			
Emballages récupérables et divers			
Immobilisations corporelles en cours			
Avances et acomptes			
TOTAL			
Participations évaluées par équivalence			
Autres participations	37 834 744		
Autres titres immobilisés			
Prêts et autres immobilisations financières	30 790 789		
TOTAL	**68 625 533**		
TOTAL GENERAL	**68 625 533**		

	Diminutions		Valeur brute immob. à fin exercice	Réév. Lég. Val. Origine à fin exercice
	Par virement de pst à pst	Par cession ou mise HS		
Frais d'établissement, recherche et développement				
Autres immobilisations incorporelles				
Terrains				
Constructions sur sol propre				
Constructions sur sol d'autrui				
Installations générales, agencements, constructions				
Installations techniques, matériel et outillages industriels				
Autres installations, agencements, aménagements				
Matériel de transport				
Matériel de bureau, informatique, mobilier				
Emballages récupérables et divers				
Immobilisations corporelles en cours				
Avances et acomptes				
TOTAL				
Participations évaluées par équivalence				
Autres participations			37 834 744	8 744 497
Autres titres immobilisés				
Prêts et autres immobilisations financières		8 639 366	22 050 893	
TOTAL		**8 639 366**	**59 885 637**	**8 744 497**
TOTAL GENERAL		**8 639 366**	**59 885 637**	**8 744 497**

Etat des provisions

PROVISIONS	Début exercice	Augmentations dotations	Diminutions Reprises	Fin exercice
Pour reconstitution gisements				
Pour investissement				
Pour hausse des prix				
Amortissements dérogatoires	780 489	297 571		1 078 060
Dont majorations exceptionnelles de 30%				
Pour implantations à l'étranger avant le 1.1.92				
Pour implantations à l'étranger après le 1.1.92				
Pour prêts d'installation				
Autres provisions réglementées				
TOTAL Provisions réglementées	**780 489**	**297 571**		**1 078 060**
Pour litiges				
Pour garanties données clients				
Pour pertes sur marchés à terme				
Pour amendes et pénalités				
Pour pertes de change	8 320 845	317 193		8 638 038
Pour pensions et obligations				
Pour impôts				
Pour renouvellement immobilisations				
Pour grosses réparations				
Pour charges sur congés payés				
Autres provisions				
TOTAL Provisions	**8 320 845**	**317 193**		**8 638 038**
Sur immobilisations incorporelles				
Sur immobilisations corporelles				
Sur titres mis en équivalence				
Sur titres de participation				
Sur autres immobilisations financières				
Sur stocks et en-cours				
Sur comptes clients				
Autres dépréciations				
TOTAL Dépréciations				
TOTAL GENERAL	**9 101 334**	**614 764**		**9 716 098**
Dont dotations et reprises :				
- d'exploitation				
- financières		317 193		
- exceptionnelles		297 571		

Etat des échéances des créances et des dettes

ETAT DES CREANCES	Montant brut	Un an au plus	Plus d'un an
Créances rattachées à des participations			
Prêts	22 050 893	9 045 631	13 005 262
Autres immobilisations financières			
Clients douteux ou litigieux			
Autres créances clients	805 087	805 087	
Créances représentatives de titres prêtés			
Personnel et comptes rattachés			
Sécurité sociale, autres organismes sociaux			
Etat et autres collectivités publiques :			
- Impôts sur les bénéfices			
- T.V.A	112 872	112 872	
- Autres impôts, taxes, versements et assimilés			
- Divers			
Groupe et associés	136 419	136 419	
Débiteurs divers	3 033 411	3 033 411	
Charges constatées d'avance	35 000	35 000	
TOTAL GENERAL	**26 274 212**	**13 168 421**	**13 005 262**
Montant des prêts accordés dans l'exercice			
Remboursements des prêts dans l'exercice	8 639 366		
Prêts et avances consentis aux associés			

ETAT DES DETTES	Montant brut	A un an au plus	Plus 1 an 5 ans au plus	A plus de 5 ans
Emprunts obligataires convertibles				
Autres emprunts obligataires				
Emprunts et dettes auprès des établissements de crédits :				
- à 1 an maximum				
- plus d'un an	71 276 533	6 045 631		62 230 902
Emprunts et dettes financières divers				
Fournisseurs et comptes rattachés	196 667	196 667		
Personnel et comptes rattachés	94 395	94 395		
Sécurité sociale et autres organismes sociaux	104 902	104 902		
Etat et autres collectivités publiques :				
- Impôts sur les bénéfices				
- T.V.A	5 475	5 475		
- Obligations cautionnées				
- Autres impôts et taxes	4 541	4 541		
Dettes sur immobilisations et comptes rattachés				
Groupe et associés	6 387 885		6 387 885	
Autres dettes	1 512	1 512		
Dette représentative de titres empruntés				
Produits constatés d'avance				
TOTAL GENERAL	**78 071 911**	**9 453 124**	**6 387 885**	**62 230 902**
Emprunts souscrits en cours d'exercice				
Emprunts remboursés en cours d'exercice	5 950 227			
Emprunts et dettes contractés auprès des associés				

Eléments relevant de plusieurs postes du bilan

(Entreprises liées ou avec lesquelles la société a un lien de participation)

	Montant concernant les entreprises		Montant des dettes et créances représentées par des effets de commerce
	Liées	avec lesquelles la société à un lien de participation	
Capital souscrit non appelé			
Avances et acomptes sur immobilisations incorporelles			
Avances et acomptes sur immobilisations corporelles			
Participations		37 834 744	
Créances rattachées à des participations			
Prêts		22 050 893	
Autres titres immobilisés			
Autres immobilisations financières			
Avances et acomptes versés sur commandes		3 000 000	
Créances clients et comptes rattachés		805 087	
Autres créances			
Capital souscrit et appelé non versé			
Valeurs mobilières de placement			
Disponibilités			
Emprunts obligataires convertibles			
Autres emprunts obligataires			
Emprunts et dettes auprès des établissements de crédit			
Emprunts et dettes financières divers			
Avances et acomptes reçus sur commandes en cours			
Dettes fournisseurs et comptes rattachés			
Dettes fiscales et sociales			
Dettes sur immobilisations et comptes rattachés			
Autres dettes			
Produits de participation			
Autres produits financiers		1 294 847	
Charges financières			

Charges à payer et avoirs à établir

Montant des charges à payer et avoirs à établir inclus dans les postes suivants du bilan	Montant TTC
Emprunts obligataires convertibles	
Autres emprunts obligataires	
Emprunts et dettes auprès des établissements de crédit	265 175
Emprunts et dettes financières divers	
Dettes fournisseurs et comptes rattachés	8 133
Dettes fiscales et sociales	45 344
Dettes sur immobilisations et comptes rattachés	
Autres dettes (dont avoirs à établir :)	
TOTAL	**318 651**

Charges et produits constatés d'avance

	Charges	Produits
Charges / Produits d'exploitation	35 000	
Charges / Produits financiers		
Charges / Produits exceptionnels		
TOTAL	**35 000**	

Composition du capital social

	Nombre	Valeur nominale
Actions / parts sociales composant le capital social au début de l'exercice	4 337 000	1
Actions / parts sociales émises pendant l'exercice		
Actions / parts sociales remboursées pendant l'exercice		
Actions / parts sociales composant le capital social en fin d'exercice	4 337 000	1

Ventilation du chiffre d'affaires net

Répartition par secteur d'activité	Montant
Ventes de marchandises	
Ventes de produits finis	
Prestations de services	396 842
TOTAL	**396 842**

Répartition par marché géographique	Montant
France	396 842
Etranger	
TOTAL	**396 842**

Rémunérations des dirigeants

La rémunération des organes de direction n'est pas communiquée car cela conduirait indirectement à donner une rémunération individuelle.

Effectif moyen

	Personnel salarié	Personnel mis à disposition de l'entreprise
Cadres	2	
Agents de maîtrise et techniciens		
Employés		
Ouvriers		
TOTAL	**2**	

Tableau des filiales et participations

Filiales et participations	Capital social	Réserves et report à nouveau	Quote-part du capital détenu en %	Valeur brute des titres détenus	Valeur nette des titres détenus	Prêts et avances consenties par la Sté	Cautions et avals donnés par la Sté	C.A. H.T. du dernier exercice clos	Résultat du dernier exercice clos	Dividendes encaissés par la Sté dans l'ex
A – Renseignements détaillés concernant les filiales & participations										
- Filiales (plus de 50% du capital détenu)										
MTVC - EURO	3 512 835	-591 825	99%	276 000	276000			12886309	2626159	
WSG - EURO	1 200 000	-8361924	99%	1	1			11545423	-822967	
GREEN-CHF	29400 000		99%	36070887	36070887					
Participations (10 à 50 % du capital détenu)										
B – Renseignements globaux concernant les autres filiales & participations										
- Filiales non reprises en A:										
a) Françaises										
b) Etrangères										
- Participations non reprises en A:										
a) Françaises										
b) Etrangères										

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PROFIT AND LOSS ACCOUNT

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Proforma Financial Information (IFRS) for the three months ended March 31, 2013

Proforma Statement of Financial Position Data

Proforma Statement of Comprehensive Income Data

Cabovisão S.A (KEUR) for the three months ended March 31, 2013	Conso	IFRS	Conso IFRS
ASSETS			
Cash and Cash equivalents	7,764		7,764
Restricted cash	9,383		9,383
Trade reveivables	7,095		7,095
Other receivables	1,318		1,318
Inventories			—
Total current assets	**25,561**	**—**	**25,561**
Other long term trade receivables			—
Long-term trade receivables	654		654
Fixed assets	128,535		128,535
Intangible assets			—
Goodwill			—
Deferred taxes			—
Total non-current assets	**129,189**	**—**	**129,189**
TOTAL ASSETS	**154,749**	**—**	**154,749**
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures	9,900		9,900
Trade payables	28,279		28,279
Other payables	14,126		14,126
Short-term loans from related parties			—
Provision for legal claims	5,369		5,369
Total current liabilities	**57,674**	**—**	**57,674**
Loans from banking corporations and debentures	13,600		13,600
Long-term loans from related parties			—
Other long-term liabilities			—
Advances received from the terminal equipment Installation			—
Employee benefit liabilities			—
Deferred Taxes			—
Total non-current liabilities	**13,600**	**—**	**13,600**
Share capital	5,000		5,000
Share premium	461,740		461,740
Treasury shares			—
Principal from share-based payment			—
Reserves			—
Accumulated profit(loss)	(383,265)		(383,265)
Total equity	**83,475**	**—**	**83,475**
TOTAL EQUITY AND LIABILITIES	**154,749**	**—**	**154,749**
	1		1

Cabovisão S.A (KEUR) for the three months ended March 31, 2013	Conso	IFRS	Conso IFRS
Revenues	**28,892**		**28,892**
Depreciation and amortization	(8,703)		(8,703)
Operating expenses	(12,532)		(12,532)
Selling and marketing expenses	(2,044)		(2,044)
General and administrative expenses	(3,050)	138	(2,912)
Other(revenues)/expenses, net	(12)		(12)
Operating profit	**2,552**	**138**	**2,690**
Financing expenses	(570)	(138)	(708)
Financing income	2		2
Profit before taxes on revenue	1,984	—	1,984
Taxes on revenue	—		
Net income	**1,984**	**—**	**1,984**
Other comprehensive loss/income	**—**	**—**	**—**
Total Comprehensive income	**1,984**	**—**	**1,984**

Notes to the *Proforma* Financial Information

The Proforma Financial Information comprises the financial statements of comprehensive income of Cabovisao S.A. (''Cabovisao'') for the period from January 1, 2013 to March 31 2013.

This Financial Information was prepared under the responsibility of the management of the Cabovisao.

1. BASIS OF PREPARATION

The Financial Information for the three months ended March 31, 2013 has been prepared on the following basis:

(i) The presentation of the profit and loss accounts; as extracted from the individual financial statements and/or annual accounts of Cabovisao; prepared respectively in accordance with Portugal GAAP (''Local GAAP''), have been modified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made from the individual audited financial statements and/or annual accounts of Cabovisao prepared under Local GAAP to conform to IAS 1.

(ii) The statement of comprehensive income (i.e. the profit and loss account/income statement together with items of other comprehensive income) of Cabovisao prepared in accordance with Local GAAP under a reporting format consistent with IAS 1.

(iii) The financial statements as prepared under Local GAAP according to section (ii) above have been restated based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted by the EU''),

In addition, only a complete set of financial statements (as defined in IAS 1) also comprising a statement of changes in equity, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with Local Gaap as adopted by the EU.

Cabovisão S.A (KEUR) Q1 2013	**Conso**	**IFRS**	**Conso IFRS**
Revenues	**28,892**		**28,892**
Depreciation and amortization	(8,703)		(8,703)
Operating expenses	(12,532)		(12,532)
Selling and marketing expenses	(2,044)		(2,044)
General and administrative expenses	(3,050)	138	(2,912)
Other(revenues)/expenses, net	(12)		(12)
Operating profit	**2,552**	**138**	**2,690**
Financing expenses	(570)	(138)	(708)
Financing income	2		2
Profit before taxes on revenue	1,984	—	1,984
Taxes on revenue	—		
Net income	**1,984**	**—**	**1,984**
Other comprehensive loss/income	**—**	**—**	**—**
Total Comprehensive income	**1,984**	**—**	**1,984**

C. Notes

(1) Foreign exchange gains and losses

In local GAAP, the transactions in other currencies than the Euro, are recorded at the rates prevailing on the transaction dates.

Assets and liabilities denominated in foreign currencies are translated into Euro using the exchange rates prevailing at the balance sheet date. These expenses are recognized in operational profit under the local GAAP; in IFRS, they are transferred to ''Financing expenses'' and amounted to 141 KEUR, for the 3 months period ended March 31, 2013.

(2) Interests late payments

In local GAAP, interests late payments occur when a supplier charges to Cabovisao interests for payments made after due date and are recognized in operational profit. In IFRS, they are transferred to ''Financing expenses and amounted to (3) KEUR, for the 3 months period ended March 31, 2013.

Cabovisão S.A.

Proforma Financial Information (IFRS) for the three months ended March 31, 2012

Proforma Statement of Financial Position Data

Proforma Statement of Comprehensive Income Data

Cabovisão S.A (KEUR) for the three months ended March 31, 2012	Conso	IFRS	Conso IFRS
ASSETS			
Cash and Cash equivalents	10,647		10,647
Restricted cash	9,341		9,341
Trade reveivables	5,696		5,696
Other receivables	1,875		1,875
Inventories			—
Total current assets	**27,559**	**—**	**27,559**
Other long term trade receivables			—
Long-term trade receivables	—		—
Fixed assets	145,872		145,872
Intangible assets			—
Goodwill			—
Deferred taxes			—
Total non-current assets	**145,872**	**—**	**145,872**
TOTAL ASSETS	**173,431**	**—**	**173,431**
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures			—
Trade payables	28,257		28,257
Other payables	14,518		14,518
Short-term loans from related parties			—
Provision for legal claims	5,056		5,056
Total current liabilities	**47,831**	**—**	**47,831**
Loans from banking corporations and debentures			—
Long-term loans from related parties			—
Other long-term liabilities			—
Advances received from the terminal equipment Installation			—
Employee benefit liabilities			—
Deferred Taxes			—
Total non-current liabilities	**—**	**—**	**—**
Share capital	5,000		5,000
Share premium	496,840		496,840
Treasury shares			—
Principal from share-based payment			—
Reserves			—
Accumulated profit(loss)	(376,240)		(376,240)
Total equity	**125,600**	**—**	**125,600**
TOTAL EQUITY AND LIABILITIES	**173,431**	**—**	**173,431**
	(1)		(1)

Cabovisão S.A (KEUR) for the three months ended March 31, 2012	**Conso**	**IFRS**	**Conso IFRS**
Revenues	**29,701**		**29,701**
Depreciation and amortization	113,629		113,629
Operating expenses	(17,762)		(17,762)
Selling and marketing expenses	(3,509)		(3,509)
General and administrative expenses	(4,641)	4	(4,637)
Other(revenues)/expenses, net	(296)		(296)
Operating profit	**117,123**	**4**	**117,127**
Financing expenses	0	(4)	(4)
Financing income	17		17
Profit before taxes on revenue	**117,140**	**—**	**117,140**
Taxes on revenue	(97)		(97)
Net income	**117,043**	**—**	**117,043**
Other comprehensive loss/income	**0**	**—**	**0**
Total Comprehensive income	**117,043**	**—**	**117,043**

Notes to the *Proforma* Financial Information

The Proforma Financial Information comprises the financial statements of comprehensive income of Cabovisao S.A. (''Cabovisao'') for the period from January 1, 2012 to March 31 2012.

This Financial Information was prepared under the responsibility of the management of the Cabovisao.

1. BASIS OF PREPARATION

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(ii) The statement of comprehensive income (i.e. the profit and loss account/income statement together with items of other comprehensive income) of Cabovisao prepared in accordance with Local GAAP under a reporting format consistent with IAS 1.

(iii) The financial statements as prepared under Local GAAP according to section (ii) above have been restated based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted by the EU''),

In addition, only a complete set of financial statements (as defined in IAS 1) also comprising a statement of changes in equity, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with Local Gaap as adopted by the EU.

Cabovisão S.A (KEUR) Q1 2012	Conso	IFRS	Conso IFRS
Revenues	**29,701**		**29,701**
Depreciation and amortization	113,629		113,629
Operating expenses	−17,762		−17,762
Selling and marketing expenses	−3,509		−3,509
General and administrative expenses	−4,641	4	−4,637
Other(revenues)/expenses, net	−296		−296
Operating profit	**117,123**	**4**	**117,127**
Financing expenses	0	(4)	−4
Financing income	17		17
Profit before taxes on revenue	117,140	—	117,140
Taxes on revenue	−97		−97
Net income	**117,043**	**—**	**117,043**
Other comprehensive loss/income	**0**	**—**	**0**
Total Comprehensive income	**117,043**	**—**	**117,043**

C. Notes

(1) Foreign exchange gains and losses

In local GAAP, the transactions in other currencies than the Euro, are recorded at the rates prevailing on the transaction dates.

Assets and liabilities denominated in foreign currencies are translated into Euro using the exchange rates prevailing at the balance sheet date. These expenses are recognized in operational profit under the local GAAP; in IFRS, they are transferred to ''Financing expenses'' and amounted to 4 KEUR, for the 3 months period ended March 31, 2012.

Cabovisão S.A.

Proforma Financial Information (IFRS) for the year ended December 31, 2012

Proforma Statement of Financial Position Data

Proforma Statement of Comprehensive Income Data

Cabovisão S.A (KEUR) for the year ended December 31, 2012	Conso	IFRS	Conso IFRS
ASSETS			
Cash and Cash equivalents	10,284		10,284
Restricted cash	9,341		9,341
Trade reveivables	6,857		6,857
Other receivables	871		871
Inventories			—
Total current assets	**27,352**	**—**	**27,352**
Other long term trade receivables			—
Long-term trade receivables	654		654
Fixed assets	132,428		132,428
Intangible assets			—
Goodwill			—
Deferred taxes	—		—
Total non-current assets	**133,082**	**—**	**133,082**
TOTAL ASSETS	**160,434**	**—**	**160,434**
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures	9,900		9,900
Trade payables	35,668		35,668
Other payables	12,906		12,906
Short-term loans from related parties	—		—
Provision for legal claims	5,369		5,369
Total current liabilities	**63,843**	**—**	**63,843**
Loans from banking corporations and debentures	15,100		15,100
Long-term loans from related parties			—
Other long-term liabilities			—
Advances received from the terminal equipment Installation			—
Employee benefit liabilities			—
Deferred Taxes			—
Total non-current liabilities	**15,100**	**—**	**15,100**
Share capital	5,000		5,000
Share premium	461,740		461,740
Treasury shares			—
Principal from share-based payment			—
Reserves			—
Accumulated profit(loss)	(385,249)		(385,249)
Total equity	**81,491**	**—**	**81,491**
TOTAL EQUITY AND LIABILITIES	**160,434**	**—**	**160,434**
	—		—

Cabovisão S.A (KEUR) for the year ended December 31, 2012	Conso	IFRS	Conso IFRS
Revenues	**117,927**		**117,927**
Depreciation and amortization	(44,275)		(44,275)
Operating expenses	(62,868)		(62,868)
Selling and marketing expenses	(11,287)		(11,287)
General and administrative expenses	(21,038)	1,443	(19,595)
Other(revenues)/expenses, net	(2,444)		(2,444)
Operating profit	**(23,985)**	**1,443**	**(22,542)**
Financing expenses	(785)	(1,443)	(2,228)
Financing income	82	—	82
Profit before taxes on revenue	(24,688)	—	(24,688)
Taxes on revenue	(268)		(268)
Net income	**(24,956)**	**—**	**(24,956)**
Other comprehensive loss/income	**—**	**—**	**—**
Total Comprehensive income	**(24,956)**	**—**	**(24,956)**

Notes to the *Proforma* Financial Information

The Proforma Financial Information comprises the financial statements of comprehensive income of Cabovisao S.A. (''Cabovisao'') for the period from January 1, 2012 to December 31 2012.

This Financial Information was prepared under the responsibility of the management of the Cabovisao.

1. BASIS OF PREPARATION

The Financial Information for the year ended December 31, 2012 has been prepared on the following basis:

(i) The presentation of the profit and loss accounts; as extracted from the individual financial statements and/or annual accounts of Cabovisao; prepared respectively in accordance with Portugal GAAP (''Local GAAP''), have been modified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made from the individual audited financial statements and/or annual accounts of Cabovisao prepared under Local GAAP to conform to IAS 1.

(ii) The statement of comprehensive income (i.e. the profit and loss account/income statement together with items of other comprehensive income) of Cabovisao prepared in accordance with Local GAAP under a reporting format consistent with IAS 1.

(iii) The financial statements as prepared under Local GAAP according to section (ii) above have been restated based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted by the EU''),

In addition, only a complete set of financial statements (as defined in IAS 1) also comprising a statement of changes in equity, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with Local Gaap as adopted by the EU.

Cabovisão S.A (KEUR) 2012	Conso	IFRS	Conso IFRS
Revenues	**117,927**		**117,927**
Depreciation and amortization	(44,275)		(44,275)
Operating expenses	(62,868)		(62,868)
Selling and marketing expenses	(11,287)		(11,287)
General and administrative expenses	(21,038)	1,443	(19,595)
Other(revenues)/expenses, net	(2,444)		(2,444)
Operating profit	**(23,985)**	**1,443**	**(22,542)**
Financing expenses	(785)	(1,443)	(2,228)
Financing income	82	—	82
Profit before taxes on revenue	(24,688)	—	(24,688)
Taxes on revenue	(268)		(268)
Net income	**(24,956)**	**—**	**(24,956)**
Other comprehensive loss/income	**—**	**—**	**—**
Total Comprehensive income	**(24,956)**	**—**	**(24,956)**

C. Notes

(1) Foreign exchange gains and losses

In local GAAP, the transactions in other currencies than the Euro, are recorded at the rates prevailing on the transaction dates.

Assets and liabilities denominated in foreign currencies are translated into Euro using the exchange rates prevailing at the balance sheet date. These expenses are recognized in operational profit under the local GAAP; in IFRS, they are transferred to ''Financing expenses'' and amounted to (92) KEUR, for the 12 months period ended December 31, 2012.

(2) Interests late payments

In local GAAP, interests late payments occur when a supplier charges to Cabovisao interests for payments made after due date and are recognized in operational profit. In IFRS, they are transferred to ''Financing expenses and amounted to 99 KEUR, for the 12 months period ended December 31, 2012.

(3) Stamp tax and fees related to loans

In local GAAP, stamp tax and fees related to loans occurred when Cabovisao contracted a bond loan, and consequently paid fees and stamp tax, and are recorded in operational profit. In IFRS, they are transferred to ''Financing expenses'' and amounted to 1.436 KEUR, for the 12 months period ended December 31, 2012.

Cabovisão S.A.

Proforma Financial Information (IFRS) for the year ended December 31, 2011

Proforma Statement of Financial Position Data

Proforma Statement of Comprehensive Income Data

Cabovisão S.A (KEUR) for the year ended December 31, 2011	Conso	IFRS	Conso IFRS
ASSETS			
Cash and Cash equivalents	8,060		8,060
Restricted cash	—		—
Trade receivables	5,770		5,770
Other receivables	1,442		1,442
Inventories			—
Total current assets	**15,271**	**—**	**15,271**
			—
Other long term trade receivables	—		—
Long-term trade receivables			—
Fixed assets	28,109		28,109
Intangible assets			—
Goodwill			—
Deferred taxes	—		—
Total non-current assets	**28,109**	**—**	**28,109**
TOTAL ASSETS	**43,380**	**—**	**43,380**
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures			—
Trade payables	14,402		14,402
Other payables	15,365		15,365
Short-term loans from related parties			—
Provision for legal claims	5,056		5,056
Total current liabilities	**34,823**	**—**	**34,823**
Loans from banking corporations and debentures			—
Long-term loans from related parties			—
Other long-term liabilities			—
Advances received from the terminal equipment Installation			—
Employee benefit liabilities			—
Deferred Taxes			—
Total non-current liabilities	**—**	**—**	**—**
Share capital	30,000		30,000
Share premium	496,840		496,840
Treasury shares			—
Principal from share-based payment			—
Reserves			—
Accumulated profit(loss)	(518,284)		(518,284)
Total equity	**8,557**	**—**	**8,557**
TOTAL EQUITY AND LIABILITIES	**43,380**	**—**	**43,380**

Cabovisão S.A (KEUR) for the year ended December 31, 2011	Conso	IFRS	Conso IFRS
Revenues	**123,384**		**123,384**
Depreciation and amortization	(157,583)		(157,583)
Operating expenses	(74,958)		(74,958)
Selling and marketing expenses	(12,772)		(12,772)
General and administrative expenses	(18,450)	45	(18,406)
Other(revenues)/expenses, net	(154)		(154)
Operating profit	**(140,533)**	**45**	**(140,489)**
Financing expenses	(3,693)	(45)	(3,738)
Financing income	110		110
Profit before taxes on revenue	(144,116)	—	(144,116)
Taxes on revenue	(100)		(100)
Net income	**(144,216)**	**—**	**(144,216)**
Other comprehensive loss/income	**—**	**—**	**—**
Total Comprehensive income	**(144,216)**	**—**	**(144,216)**

Notes to the *Proforma* Financial Information

The Proforma Financial Information comprises the financial statements of comprehensive income of Cabovisao S.A. (''Cabovisao'') for the period from January 1, 2011 to December 31 2011.

This Financial Information was prepared under the responsibility of the management of the Cabovisao.

1. BASIS OF PREPARATION

The Financial Information for the year ended December 31, 2011 has been prepared on the following basis:

(i) The presentation of the profit and loss accounts; as extracted from the individual financial statements and/or annual accounts of Cabovisao; prepared respectively in accordance with Portugal GAAP (''Local GAAP''), have been modified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made from the individual audited financial statements and/or annual accounts of Cabovisao prepared under Local GAAP to conform to IAS 1.

(ii) The statement of comprehensive income (i.e. the profit and loss account/income statement together with items of other comprehensive income) of Cabovisao prepared in accordance with Local GAAP under a reporting format consistent with IAS 1.

(iii) The financial statements as prepared under Local GAAP according to section (ii) above have been restated based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted by the EU''),

In addition, only a complete set of financial statements (as defined in IAS 1) also comprising a statement of changes in equity, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with Local Gaap as adopted by the EU.

Cabovisão S.A (KEUR) 2011	Conso	IFRS	Conso IFRS
Revenues	**123,384**		**123,384**
Depreciation and amortization	(157,583)		(157,583)
Operating expenses	(74,958)		(74,958)
Selling and marketing expenses	(12,772)		(12,772)
General and administrative expenses	(18,450)	45	(18,406)
Other(revenues)/expenses, net	(154)		(154)
Operating profit	**(140,533)**	**45**	**(140,489)**
Financing expenses	(3,693)	(45)	(3,738)
Financing income	110		110
Profit before taxes on revenue	(144,116)	—	(144,116)
Taxes on revenue	(100)		(100)
Net income	**(144,216)**	**—**	**(144,216)**
Other comprehensive loss/income	**—**	**—**	**—**
Total Comprehensive income	**(144,216)**	**—**	**(144,216)**

C. Notes

(1) Foreign exchange gains and losses

In local GAAP, the transactions in other currencies than the Euro, are recorded at the rates prevailing on the transaction dates.

Assets and liabilities denominated in foreign currencies are translated into Euro using the exchange rates prevailing at the balance sheet date. These expenses are recognized in operational profit under the local GAAP; in IFRS, they are transferred to ''Financing expenses'' and amounted to 27 KEUR, for the 12 months period ended December 31, 2011.

(2) Interests late payments

In local GAAP, interests late payments occur when a supplier charges to Cabovisao interests for payments made after due date and are recognized in operational profit. In IFRS, they are transferred to ''Financing expenses and amounted to 18 KEUR, for the 12 months period ended December 31, 2011.

green.ch AG, Brugg

Financial Information

Notes to the Financial Information

This Financial Information was prepared under the responsibility of the Board of Directors and the management of green.ch AG (''Green'') in the context of the Transactions.

1. BASIS OF PREPARATION

The Financial Information as of March 31, 2012, December 31, 2012 and March 31, 2013 and for the year ended December 31, 2012 and the interim periods ended March 31, 2013 and 2012 has been prepared on the following basis:

''Local GAAP''

i. The following statutory financial statements of Green are included in the Offering Memorandum:

   a. the unaudited interim financial statements of Green as of March 31, 2013 and for the three months ended March 31, 2013, which include the 2012 comparative figures;

   b. the audited financial statements of Green as of December 31, 2012 and for the year ended December 31, 2012, which include the 2011 comparative figures.

   These statutory financial statements have been prepared in accordance with the Swiss law and the company's articles of incorporation (''Swiss GAAP''). Such statutory financial statements are comprised of a balance sheet, income statement and notes (herein referred to as the ''Swiss GAAP financial statements'').

ii. The Swiss GAAP financial statements have been reclassified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements* (IAS 1) for purposes of the Unaudited Pro Forma Financial Data of the Group included in the Offering Memorandum. Accordingly, certain reclassifications have been made from the Swiss GAAP financial statements of green.ch.

iii. The Swiss GAAP financial statements of green.ch included in the Offering Memorandum are prepared and presented in CHF. These financial statements have also been presented in EUR for purposes of the Financial Information. The balance sheets presented as Local GAAP have been translated using an exchange rate as of the date of the respective balance sheets. The income statements presented as Local GAAP have been translated using an average exchange rate for the periods presented.

''IFRS Adjustments''

i. The statements as prepared under Local GAAP according to the description above have been restated based upon the recognition and measurements principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted by the EU''), with certain exceptions identified in the notes described herein.

''IFRS''

i. These amounts represent the arithmetical sum of the corresponding items from the income statements and balance sheets statements presented as Local GAAP and IFRS adjustments.

In addition, only a complete set of financial statements (as defined in IAS 1) also comprising a statement of changes in equity, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS as adopted by the EU.

2. NOTES

Goodwill

Goodwill presented in the green.ch financial information is derived from merger transactions between 2007 and 2012 as described in the 2012 audited financial statements of green.ch. Under Swiss GAAP, goodwill is amortized over a period of 10 years.

For the year ended December 31, 2012, depreciation and amortization expense includes Swiss GAAP amortization of goodwill in the amount of TCHF 7'433 (TEUR 6'167). For the three-months ended March 31, 2013 and 2012, depreciation and amortization expense includes Swiss GAAP amortization of goodwill in the amounts of TCHF 1'877 (TEUR 1'528) and TCHF 1'839 (TEUR 1'522), respectively.

For purposes of the Financial Information, the opening balance sheet as of January 1, 2011 has not been restated for these business combinations. However, certain tangible and intangible assets that were subsumed within goodwill under Swiss GAAP, including the effect on deferred taxes, have been reclassified to recognize these assets separately from goodwill. No impairment tests in accordance with IFRS as of the opening balance sheet date or after have been performed on goodwill or the intangible assets.

For purposes of the Financial Information, the balance sheets as of March 31, 2012, December 31, 2012 and March 31, 2013 have been adjusted to reclassify and separately recognize tangible assets and intangible assets. Depreciation and amortization expense for the year ended December 31, 2012 and the three-month periods ended March 31, 2013 and 2012 have been adjusted to derecognize the amortization of goodwill identified above.

In connection with the merger with Genotec AG having effect as of July 1, 2012, loss carry forwards for tax purposes were identified in the amount of TCHF 1'800. Such loss carry forwards are not recognized in the Swiss GAAP financial statements. Accordingly, the Local GAAP balance sheet has been adjusted to present a deferred tax asset in connection with the Genotec loss carry forwards under IFRS. Goodwill presented as Local GAAP has been adjusted to recognize the deferred tax asset for the periods ended December 31, 2012 and March 31, 2013 in the amounts of TCHF 338 (TEUR 280) and TCHF 338 (TEUR 278), respectively.

Other receivables

Under Swiss GAAP, arrangement fees for the refinancing of green.ch have been recorded as prepaid expenses and released over the period of the new financing. Under IFRS these costs have been recognized as one-time financial costs. Such one-time financial costs would have been recognized as an expense in 2009 under IFRS. As a result, our Local GAAP financial statements have been adjusted to derecognize the expenses under IFRS.

Other receivables as of March 31, 2012, December 31, 2012, and March 31, 2013 have been adjusted in the amounts of TCHF 593 (TEUR 492), TCHF 388 (TEUR 321) and TCHF 319 (TEUR 262) respectively to eliminate the respective prepaid expenses.

Financing expenses for the annual and interim periods ended December 31, 2012 and March 31 2013 and 2012 have been adjusted in the amounts of TCHF 273 (TEUR 226), TCHF 68 (TEUR 56) and TCHF 68 (TEUR 57), respectively.

Deferred tax has been recognized on these adjustments at an effective tax rate of 18.8%.

Intangible assets

Under Swiss GAAP green.ch had capitalized certain start-up costs. Such start-up costs are not eligible for capitalization under IFRS. As a result, our Local GAAP financial statements have been adjusted for this item.

Intangible assets as of March 31, 2012 have been adjusted in the amount of TCHF 849 (TEUR 705) to derecognize the expense under IFRS.

Depreciation and amortization for the annual and interim periods ended December 31, 2012 and March 31, 2012 have been adjusted in the amounts of TCHF 1'029 (TEUR 854) and TCHF 179 (TEUR 148), respectively. No adjustment is required for March 31, 2013 as the start-up costs capitalized under Swiss GAAP were fully amortized as of December 31, 2012.

Deferred tax has been recognized on these adjustments at an effective tax rate of 18.8%.

Deferred taxes

Under IFRS, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities, and their tax base according to IAS 12—*Income taxes*. For deductible temporary differences and tax losses carried forward, a deferred tax asset is recognized to the extent that it is probable that taxable profit will be available. Under Swiss GAAP, deferred taxes are not required to be recognized.

The local tax rate of 18.8% has been applied to the applicable IFRS adjustments.

Other long term liabilities

As of December 31, 2012, under Swiss GAAP a liability of TCHF 500 (TEUR 414) has been established for local tax purposes with a corresponding increase to deprecation and amortization expense. Under IFRS, this liability together with the respective expense has been reversed. The respective deferred tax liability of TCHF 94 (TEUR 78) has also been recognized.

Pension plan liabilities

Under Swiss GAAP, the company's pension plan is treated as a defined contribution plan. As such, the amounts reported in the Local GAAP statements only include the underlying annual costs. Under IFRS, the pension plans is treated as a defined benefit plan.

Employee benefit liabilities as of March 31, 2012, December 31, 2012 and March 31, 2013 have been recognized as IFRS adjustments in the amounts of TCHF 1,737 (TEUR 1,442), TCHF 2,400 (TEUR 1,988) and TCHF 2,400 (TEUR 1,972), respectively. The increase in the liability from March 31, 2012 to December 31, 2012 is related to a change in the underlying discount rate used to compute the related obligation. The change in the underlying pension costs for each of the presented periods was not significant.

	Three-Month Period Ended March 31, 2013		
	Local GAAP	IFRS Adj	IFRS
Revenues	**9,623**	**0**	**9,623**
Operating expenses	−6,061	0	−6,061
General and administrative expenses	−298	0	−298
Selling and marketing expenses	−375	0	−375
EBITDA	**2,889**	**0**	**2,889**
Depreciation and amortization	−2,410	773	−1,637
Other(revenues)/expenses, net	0	0	0
Management fees	−153	0	−153
Reorganisation/extraordinary expenses	0	0	0
Operating profit	**326**	**773**	**1,099**
Financing income	0	0	0
Financing expenses	−356	56	−300
Profit before taxes on revenue	**−30**	**829**	**799**
Taxes on revenue	−282	131	−150
Net income	**−312**	**960**	**649**
Other comprehensive loss/income	**−3**	**9**	**6**
Total Comprehensive income	**−315**	**969**	**655**

	March 31, 2013		
	Local GAAP	IFRS Adj	IFRS
ASSETS			
Cash and Cash equivalents	413	0	413
Restricted cash	253	0	253
Trade reveivables	3,623	0	3,623
Other receivables	2,364	−262	2,102
Inventories	157	0	157
Total current assets	**6,810**	**−262**	**6,548**
Long-term trade receivables	0	0	0
Investment in financial assets available for sale	0	0	0
Other long-term receivables	2,473	0	2,473
Fixed assets	7,228	9,955	17,183
Intangible assets	3,178	12,399	15,576
Goodwill	34,489	−10,297	24,192
Deferred taxes	0	407	407
Total non-current assets	**47,368**	**12,463**	**59,831**
TOTAL ASSETS	**54,178**	**12,201**	**66,379**

	March 31, 2013		
	Local GAAP	IFRS Adj	IFRS
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures	0	0	0
Trade payables	5,446	0	5,446
Other payables	14,707	0	14,707
Short-term loans from related parties	8,431	0	8,431
Provision for legal claims	0	0	0
Total current liabilities	**28,584**	**0**	**28,584**
Loans from banking corporations and debentures	1,860	0	1,860
Long-term loans from related parties	7,464	0	7,464
Other long-term liabilities	1,520	−411	1,109
Advances received from the terminal equipment installation	0	0	0
Employee benefit liabilities	0	1,972	1,972
Deferred Taxes	0	4,280	4,280
Total non-current liabilites	**10,844**	**5,841**	**16,685**
Share capital	24,158	0	24,158
Share premium	0	0	0
Treasury shares	0	0	0
Principal from share-based payment	0	0	0
Capital reserve from available for sale financial asset	0	0	0
Accumulated profit(loss)	−9,408	6,359	−3,049
Total equity	**14,750**	**6,359**	**21,109**
TOTAL EQUITY AND LIABILITIES	**54,178**	**12,200**	**66,378**

	Three-Month Period Ended March 31, 2012		
	Local GAAP	IFRS Adj	IFRS
Revenues	**10,474**	**0**	**10,474**
Operating expenses	−6,774	0	−6,774
General and administrative expenses	−466	0	−466
Selling and marketing expenses	−401	0	−401
EBITDA	**2,833**	**0**	**2,833**
Depreciation and amortization	−2,746	903	−1,843
Other(revenues)/expenses, net	0	0	0
Management fees	−166	0	−166
Reorganisation/extraordinary expenses	0	0	0
Operating profit	**−79**	**903**	**824**
Financing income	0	0	0
Financing expenses	−314	57	−257
Profit before taxes on revenue	**−392**	**960**	**567**
Taxes on revenue	−285	106	−179
Net income	**−677**	**1,066**	**388**
Other comprehensive loss/income	**−2**	**3**	**1**
Total Comprehensive income	**−679**	**1,069**	**389**

	March 31, 2012		
	GAAP	IFRS Adj	IFRS
ASSETS			
Cash and Cash equivalents	1,101	0	1,101
Restricted cash	254	0	254
Trade reveivables	2,408	0	2,408
Other receivables	3,997	−492	3,505
Inventories	3	0	3
Total current assets	**7,763**	**−492**	**7,271**
Long-term trade receivables	0	0	0
Investment in financial assets available for sale	0	0	0
Other long-term receivables	2,498	0	2,498
Fixed assets	5,418	10,497	15,915
Intangible assets	4,722	14,456	19,178
Goodwill	39,783	−16,321	23,461
Deferred taxes	0	489	489
Total non-current assets	**52,421**	**9,121**	**61,541**
TOTAL ASSETS	**60,182**	**8,629**	**68,812**

	March 31, 2012		
	GAAP	IFRS Adj	IFRS
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures	0	0	0
Trade payables	3,756	0	3,756
Other payables	15,146	0	15,146
Short-term loans from related parties	9,385	0	9,385
Provision for legal claims	0	0	0
Total current liabilities	**28,287**	**0**	**28,287**
Loans from banking corporations and debentures	1,316	0	1,316
Long-term loans from related parties	10,481	0	10,481
Other long-term liabilities	830	0	830
Advances received from the terminal equipment installation	0	0	0
Employee benefit liabilities	0	1,442	1,442
Deferred Taxes	0	4,824	4,824
Total non-current liabilities	**12,627**	**6,266**	**18,892**
Share capital	24,402	0	24,402
Share premium	0	0	0
Treasury share	0	0	0
Principal form share-based payment	0	0	0
Capital reserve from available for sale financial asset	0	0	0
Accumulated profit(loss)	−5,133	2,363	−2,770
Total equity	**19,269**	**2,363**	**21,632**
TOTAL EQUITY AND LIABILITIES	**60,182**	**8,629**	**68,812**

	Year Ended December 31, 2012		
	Local GAAP	IFRS Adj	IFRS
Revenues	41,935	0	41,935
Operating expenses	−26,570	−32	−26,602
General and administrative expenses	−1,599	0	−1,599
Selling and marketing expenses	−1,519	0	−1,519
EBITDA	**12,248**	**−32**	**12,215**
Depreciation and amortization	−14,155	4,358	−9,797
Other(revenues)/expenses, net	0	0	0
Management fees	−713	0	−713
Reorganisation/extraordinary expenses	−649	0	−649
Operating profit	**−3,269**	**4,326**	**1,056**
Financing income	0	0	0
Financing expenses	−1,460	226	−1,234
Profit before taxes on revenue	**−4,730**	**4,552**	**−178**
Taxes on revenue	0	17	17
Net income	**−4,730**	**4,569**	**−161**
Other comprehensive loss/income	**9**	**−428**	**−419**
Total Comprehensive income	**−4,721**	**4,141**	**−580**

	December 31, 2012		
	Local GAAP	IFRS Adj	IFRS
ASSETS			
Cash and Cash equivalents	2,700	0	2,700
Restricted cash	262	0	262
Trade reveivables	6,498	0	6,498
Other receivables	643	−321	322
Inventories	21	0	21
Total current assets	**10,124**	**−321**	**9,803**
Long-term trade receivables	0	0	0
Investment in financial assets available for sale	0	0	0
Other long-term receivables	2,493	0	2,493
Fixed assets	6,527	10,143	16,671
Intangible assets	3,070	13,154	16,224
Goodwill	36,315	−11,933	24,382
Deferred taxes	0	421	421
Total non-current assets	**48,405**	**11,785**	**60,191**
TOTAL ASSETS	**58,528**	**11,464**	**69,994**

	December 31, 2012		
	Local GAAP	IFRS Adj	IFRS
EQUITY AND LIABILITIES			
Credit from banking corporations and debentures	0	0	0
Trade payables	5,839	0	5,839
Other payables	18,440	0	18,440
Short-term loans from related parties	8,314	0	8,314
Provision for legal claims	0	0	0
Total current liabilities	**32,593**	**0**	**32,593**
Loans from banking corporations and debentures	1,698	0	1,698
Long-term loans from related parties	7,522	0	7,522
Other long-term liabilities	1,532	−414	1,118
Advances received from the terminal equipment Installation	0	0	0
Employee benefit liabilities	0	1,988	1,988
Deferred Taxes	0	4,458	4,458
Total non-current liabilities	**10,753**	**6,032**	**16,784**
Share capital	24,348	0	24,348
Share premium	0	0	0
Treasury shares	0	0	0
Principal from share-based payment	0	0	0
Capital reserve from available for sale financial asset	0	0	0
Accumulated profit(loss)	−9,165	5,434	−3,731
Total equity	**15,183**	**5,434**	**20,617**
TOTAL EQUITY AND LIABILITIES	**58,528**	**11,466**	**69,994**

Unaudited Pro Forma IFRS Consolidated Financial Information for

Coditel Holding as at and for the three month period ended March 31, 2013

Pro Forma IFRS Information

Pro Forma IFRS Consolidated Statement of Financial Position as of March 31, 2013:

CODITEL HOLDING (EUR) Q1 2013

	Notes	Unaudited Pro Forma Consolidated Local GAAP 31/03/13	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated 31/03/13
ASSETS				
Cash and cash equivalents		7.449.900	—	7.449.900
Trade reveivables		22.111.408	—	22.111.408
Other receivables		863.515	—	863.515
Inventories		849.310	—	849.310
Total current assets		31.274.133	—	31.274.133
Other long term trade receivables	(3)	—	2.707.914	2.707.914
Long-term trade receivables		71.143	—	71.143
Fixed assets	(2)	25.587.898	21.224.266	46.812.164
Intangible assets		16.089.629	—	16.089.629
Goodwill	(1)	223.691.788	120.446.624	344.138.412
Total non-current assets		**265.440.458**	**144.378.804**	**409.819.262**
TOTAL ASSETS		**296.714.591**	**144.378.804**	**441.093.395**

Pro Forma IFRS Information

Pro Forma IFRS Consolidated Statement of Financial Position as of March 31, 2013:

CODITEL HOLDING (EUR) Q1 2013

	Notes	Unaudited Pro Forma Consolidated Local GAAP 31/03/13	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated 31/03/13
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures		6.749.328	—	6.749.328
Trade payables		27.330.592	—	27.330.592
Other payables	(3)	19.231.248	303.986	19.535.234
Provision for legal claims		223.661	—	223.661
Total current liabilities		**53.534.829**	**303.986**	**53.838.815**
Loans from banking corporations and debentures	(5)	239.609.772	−20.381.311	219.228.461
Long-term loans from related parties		159.500.773	—	159.500.773
Employee benefit liabilities		623.340	—	623.340
Deferred Taxes	(6)	3.442.407	6.000.122	9.442.529
Total non-current liabilities		**403.176.292**	**−14.381.189**	**388.795.103**
Share capital		643.235	—	643.235
Share premium		3.445.795	—	3.445.795
Accumulated losses		−164.085.561	158.456.008	−5.629.553
Total equity		**−159.996.531**	**158.456.008**	**−1.540.523**
TOTAL EQUITY AND LIABILITIES		**296.714.591**	**144.378.804**	**441.093.395**

Pro Forma IFRS Information

Pro Forma IFRS Consolidated Income Statement for the period from January 1, 2013 to March 31, 2013

KEUR Q1 2013

KEUR Q1 2013	Notes	Unaudited Pro Forma Consolidated Local GAAP For the period 01/01/13 to 31/03/13	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated For the period 01/01/13 to 31/03/13
Revenues	(4)	**18.604,33**	**(61,57)**	**18.542,76**
Other operating expenses	(2) (3)	(4.660,38)	(96,77)	(4.757,15)
General and administrative expenses		(1.012,39)	—	(1.012,39)
Other sales and marketing expenses	(2)	(1.099,13)	54,34	(1.044,79)
Adjusted EBITDA		**11.832,43**	**(104,00)**	**11.728,43**
Depreciation and amortization	(1) (2)	(19.553,56)	17.591,21	(1.962,35)
Other/expenses, net		(264,05)	—	(264,05)
Management fees		(486,31)	—	(486,31)
Operating (loss)/profit		**(8.471,48)**	**17.487,21**	**9.015,72**
Financing income	(5)	—	70,00	70,00
Financing expenses	(5)	(10.766,86)	(784,97)	(11.551,83)
Profit/(loss) before tax		**(19.238,34)**	**16.772,24**	**(2.466,10)**
Income tax (expense)/benefit		(797,66)	(95,69)	(893,35)
Net income		**(20.036,00)**	**16.676,55**	**(3.359,46)**

Pro Forma IFRS Information

Pro Forma IFRS Statement of Financial Position as of March 31, 2013:

CODITEL HOLDING (EUR) Q1 2013

Notes to the Unaudited Pro Forma IFRS Consolidated Financial Information

A. BASIS OF PREPARATION

This Pro Forma IFRS consolidated Financial Information for the period ended March 31, 2013 was prepared under the responsibility of the Board of Directors and the management of Coditel Holding S.A. (''Coditel Holding'' or ''Coditel Group'') in the context of the Transactions and has been prepared on the following basis:

(i) The presentation of the consolidated profit and loss account and consolidated balance sheet ; as extracted from the consolidated annual accounts of Coditel Holding prepared in accordance with Luxembourg GAAP (''LUX GAAP'' or ''Local GAAP''), have been modified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made to the consolidated annual accounts of Coditel Holding prepared under Local GAAP to present a consolidated Statement of the Financial Position and a consolidated Income Statement that are in line with the presentation criteria of to IAS 1;

(ii) The aforementioned statements, as prepared using the revenue recognition and measurement criteria of Local GAAP, have been restated; substantially based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted in the EU''), with certain exceptions, of which the most significant are detailed in the note B below in which the reconciliation between the consolidated Local GAAP annual accounts and the consolidated Pro Forma IFRS consolidated financial information is also presented.

In addition, only a complete set of consolidated financial statements (as defined in IAS 1) also comprising a statement of changes in equity, a statement of cash flows, comparative information and explanatory notes, can provide a fairer presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS as adopted in the EU.

B. Notes

(1) Goodwill

According to IAS 38, goodwill shall be measured at its cost less any accumulated impairment losses.

Consequently, the carrying amount of goodwill is revalued to its value at initial measurement. An impairment test performed on the same date in accordance with IAS 36—*Impairment of Assets* on the cash-generating units to which goodwill has been allocated reveals that no impairment loss needs to be recognized.

Therefore the following IFRS based adjustments are reported in the above tables:

- Decrease of the amortization expense by an amount of 17.591 KEUR for the period ended March 31, 2013 (EUR 120.447 on an accumulated basis since the Coditel Group was incorporated).

(2) Property, plant and equipment

Under Local GAAP, the tangible network assets are depreciated over a period of 10 years. In accordance with IAS 16—*Property, Plant and Equipment*, the estimated useful life of these network assets ranges between 30 and 40 years. In addition, the fair value of the network of Coditel Belgium and Coditel Luxembourg was estimated by an independent expert in 2006 in order to harmonize the measurement basis of network assets within the Ypso group.

In this context, the Coditel Group elected to measure the network assets at their fair value (as their deemed cost) in accordance with IFRS 1. On this basis, a revaluation is recognized against retained earnings at the date of transition to IFRS in 2011. The impact of the difference in the depreciation during Q1 2013 consists of a decrease of the depreciation expense amounting to 318 K EUR.

In addition, certain costs included in property, plant and equipment under Local GAAP do not qualify for recognition as an asset under IAS 16 and are thus immediately expensed as ''Purchases and subcontracting services'' for an amount of 1 K EUR for the period ended March 31, 2013.

Accumulated impact on the Pro Forma IFRS consolidated statement of financial position represents 21.224 K EUR.

(3) Pension plan assets

Under local GAAP, pensions are accounted for on a cash basis. Since Coditel Holding benefits from a ''contribution holiday'', no pension cost is recognized. Furthermore, there are no amounts recognized in the Pro Forma IFRS consolidated statement of financial position with respect to the overfunded pension plan.

In accordance with IAS 19—*Employee Benefits*, the benefit obligations and pension expenses are based on the projected unit credit method.

A net asset is recognized in the Pro Forma IFRS consolidated statement of financial position under ''other non-current assets''. It corresponds to the amount of the surplus limited to the economic advantage available in the form of a reduction in future contributions (so-called asset ceiling) at the date of transition.

The pension expense is the sum of the service cost (i.e. the discounted value of the benefits earned during the year) and the interest cost on the benefit obligations, less the expected return on plan assets.

Coditel Holding opted for the recognition of all actuarial gains/losses and the effect of changes in the asset ceiling immediately in the profit and loss account for an amount of 43 KEUR for the period ended March 31, 2013 (it is to be noted that operating expenses are impacted as well by the purchases and subcontracting services differences impacting in 53 K EUR).

The total impact of the pension plan impacts represents up to 2.708 K EUR increase in long term receivables and an increase in other payables up to 304 K EUR.

(4) Deferral of promotions

Under Local GAAP, promotions granted to customers in the form of free or discounted services, including promotional offers on packs, are immediately recognized as a reduction of revenue over the promotional period. In accordance with IAS 18—*Revenue*, such promotions is also recognized as a reduction of revenue but over the contract period with the customer, which usually corresponds to 12 months.

Consequently, such deferral of promotion cost has a negative impact on revenue for the period ended March 31, 2013 for an amount of 62 KEUR.

(5) Loan issue costs

After the acquisition by Coditel Holding of the Coditel Luxembourg and Coditel Belgium, some loan issue costs were incurred by Coditel Holding.

Consistently with Local GAAP, these loan issue costs incurred by Coditel Holding were immediately expensed. In accordance with IAS 39—*Financial Instruments: Recognition and Measurement*, such costs qualify as transaction costs and shall thus be included in the calculation of the amortized cost of the loan using the effective interest rate method as determined under IAS 23—*Borrowing Costs*.

As a result, the amortization expense of the loan issue costs is presented as ''Financing expenses'' and amounts to 785KEUR for the period ended March 31, 2013. On the Coditel Belgium side there is an adjustment on the interest on the Profit & Loss side increasing the financial expenses in 70 K EUR. Consequently, the total impact represents 715 K EUR decrease in loans.

Accumulated impact on the Coditel Group represents 20.381 K EUR decrease on the loans as of March 31, 2013.

(6) Deferred taxes

On the contrary to Local GAAP, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities, and their tax base according to IAS 12—*Income taxes*. For deductible temporary differences and tax losses carried forward, a deferred tax asset is recognized to the extent that it is probable that taxable profit will be available.

Most temporary differences arise from the above IFRS-based adjustments.

Changes in deferred taxes subsequent to the date of transition are recognized as ''income tax (expense)/benefit''. Total impact of the increase in ''Income tax'' as a consequence of the IFRS adjustments represents 96 K EUR. Total deferred tax liabilities arising from the IFRS adjustments represents 6.000 K EUR.

No deferred tax asset has been recorded in relation to the carried forward losses of some Group entities since the Group's ability to crystallise the deferred tax asset amounting to 16.767 K EUR is contingent upon various events that will arise in the future.

Unaudited Pro Forma IFRS Consolidated Financial Information for

Coditel Holding as at and for the three month period ended March 31, 2012

Pro Forma IFRS Information

Pro Forma IFRS consolidated Statement of Financial Position as of March 31, 2012:

CODITEL HOLDING (EUR) Q1 2012

	Notes	Unaudited Pro Forma Consolidated Local GAAP 31/03/12	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated 31/03/12
ASSETS				
Cash and cash equivalents		6.900.536	—	6.900.536
Trade reveivables		20.916.778	—	20.916.778
Other receivables		733.405	—	733.405
Inventories		1.043.239	—	1.043.239
Total current assets		**29.593.958**	**—**	**29.593.958**
Other long term trade receivables	(3)	—	2.114.664	2.114.664
Long-term trade receivables		70.935	—	70.935
Fixed assets	(2)	23.471.907	21.588.751	45.060.658
Intangible assets		6.332.874	—	6.332.874
Goodwill	(1)	292.518.430	51.619.982	344.138.412
Total non-current assets		**322.394.146**	**75.323.397**	**397.717.543**
TOTAL ASSETS		**351.988.104**	**75.323.397**	**427.311.501**

Pro Forma IFRS Information

Pro Forma IFRS consolidated Statement of Financial Position as of March 31, 2012:

CODITEL HOLDING (EUR) Q1 2012

	Notes	Unaudited Pro Forma Consolidated Local GAAP 31/03/12	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated 31/03/12
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures		8.992.911	—	9.689.306
Trade payables		25.596.641	—	25.596.641
Other payables	(3)	13.162.218	212.986	13.375.204
Provision for legal claims		223.661	—	223.661
Total current liabilities		**47.975.431**	**212.986**	**48.884.812**
Loans from banking corporations and debentures	(5)	237.938.822	−22.753.061	214.489.366
Long-term loans from related parties		141.695.809	—	141.695.809
Employee benefit liabilities		806.027	—	806.027
Deferred Taxes	(6)	1.809.065	6.731.711	8.540.776
Total non-current liabilities		**382.249.723**	**−16.021.350**	**365.531.978**
Share capital		643.235	—	643.235
Share premium		3.445.795	—	3.445.795
Accumulated profit/(loss)		−82.326.080	91 131.761	8.805.681
Total equity		**−78.237.050**	**91.131.761**	**12.894.711**
TOTAL EQUITY AND LIABILITIES		**351.988.104**	**75.323.397**	**427.311.501**

Pro forma IFRS Information

Pro Forma IFRS consolidated Income Statements for the period from January 1, 2012 to March 31, 2012:

KEUR Q1 2012

	Notes	Unaudited Pro Forma Consolidated Local GAAP For the period 01/01/12 to 31/03/12	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated For the period 01/01/12 to 31/03/12
Revenues	(4)	**18.309,11**	**(11,45)**	**18.297,65**
Other operating expenses	(2) (3)	(4.457,55)	(88,93)	(4.546,48)
General and administrative expenses		(1.085,54)	—	(1.085,54)
Other sales and marketing expenses		(809,02)	—	(809,02)
Adjusted EBITDA		**11.957,00**	**(100,38)**	**11.856,62**
Depreciation and amortization	(1) (2)	(19.748,34)	17.465,75	(2.282,59)
Other expenses, net		(95,57)	—	(95,57)
Management fees		(480,49)	—	(480,49)
Result		**(8.367,40)**	**17.365,37**	**8.997,96**
Financing income	(5)	—	113,00	113,00
Financing expenses	(5)	(10.461,65)	(801,54)	(11.263,19)
Profit/(loss) before tax		**(18.829,05)**	**16.676,83**	**(2.152,22)**
Income tax (expense)/benefit	(6)	—	(109,96)	(109,96)
Net income		**(18.829,05)**	**16.566,86**	**(2.262,18)**

Pro Forma IFRS Information

Notes to the Unaudited Pro Forma IFRS consolidated Financial Information

A. BASIS OF PREPARATION

This Pro Forma IFRS consolidated Financial Information for the period ended March 31, 2012 was prepared under the responsibility of the Board of Directors and the management of Coditel Holding S.A. (''Coditel Holding'' or ''Coditel Group'') in the context of the Transactions and has been prepared on the following basis:

(i) The presentation of the consolidated profit and loss account and consolidated balance sheet; as extracted from the consolidated annual accounts of Coditel Holding prepared in accordance with Luxembourg GAAP (''LUX GAAP'' or ''Local GAAP''), have been modified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made to the consolidated annual accounts of Coditel Holding prepared under Local GAAP to present a consolidated Statement of the Financial Position and a consolidated Income Statement that are in line with the presentation criteria of to IAS 1;

(ii) The aforementioned statements, as prepared using the revenue recognition and measurement criteria of Local GAAP have been restated; substantially based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted in the EU''), with certain exceptions, of which the most significant are detailed in the note B below in which the reconciliation between the consolidated Local GAAP annual accounts and the consolidated Pro Forma IFRS consolidated financial information is also presented.

In addition, only a complete set of consolidated financial statements (as defined in IAS 1) also comprising a statement of changes in equity, a statement of cash flows,comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS as adopted in the EU.

B. Notes

(1) Goodwill

According to IAS 38, goodwill shall be measured at its cost less any accumulated impairment losses.

Consequently, the carrying amount of goodwill is revalued to its value at initial measurement. An impairment test performed on the same date in accordance with IAS 36—*Impairment of Assets* on the cash-generating units to which goodwill has been allocated reveals that no impairment loss needs to be recognized.

Therefore the following IFRS based adjustments are reported in the above tables:

- Decrease of the amortization expense for an amount of 17.151 KEUR for the period ended March 31, 2012 (51.620 K EUR on an accumulated basis since the Coditel Group was incorporated).

(2) Property, plant and equipment

Under Local GAAP, the tangible network assets are depreciated over a period of 10 years. In accordance with IAS 16—*Property, Plant and Equipment*, the estimated useful life of these network assets ranges between 30 and 40 years. In addition, the fair value of the network of Coditel Belgium and Coditel Luxembourg was estimated by an independent expert in 2006 in order to harmonize the measurement basis of network assets within the Ypso group.

In this context, Coditel Group elected to measure the network assets at their fair value (as their deemed cost) in accordance with IFRS 1. On this basis, a revaluation is recognized against retained earnings at the date of transition to IFRS in 2011. The impact of the difference in the depreciation during Q1 2012 consists of a decrease of the depreciation expense amounting to 315 K EUR.

In addition, certain costs included in property, plant and equipment under Local GAAP do not qualify for recognition as an asset under IAS 16 and are thus immediately expensed as ''Purchases and subcontracting services'' for an amount of 54 K EUR for the period.

Accumulated impact on the Pro Forma IFRS consolidated statement of financial position represents 21.589 K EUR.

(3) Pension plan assets

Under local GAAP, pensions are accounted for on a cash basis. Since Coditel Holding benefits from a contribution holiday, no pension cost is recognized. Furthermore, there are no amounts recognized in the Pro Forma IFRS consolidated statement of financial position with respect to the overfunded pension plan.

In accordance with IAS 19—*Employee Benefits*, the benefit obligations and pension expenses are based on the projected unit credit method.

A net asset is recognized in the Pro Forma IFRS consolidated statement of financial position under ''other non-current assets''. It corresponds to the amount of the surplus limited to the economic advantage available in the form of a reduction in future contributions (so-called asset ceiling) at the date of transition.

The pension expense is the sum of the service cost (i.e. the discounted value of the benefits earned during the year) and the interest cost on the benefit obligations, less the expected return on plan assets.

Coditel Holding opted for the recognition of all actuarial gains/losses and the effect of changes in the asset ceiling immediately in the profit and loss account for an amount of 34 KEUR for the period ended March 31, 2012 (it's to be noted that operating expenses are impacted as well by the purchases and subcontracting services differences impacting in 54 K EUR).

The total impact of the pension plan impacts represents up to 2.115 K EUR increase in long term receivables and an increase in other payables up to 213 K EUR.

(4) Deferral of promotions

Under Local GAAP, promotions granted to customers in the form of free or discounted services, including promotional offers on packs, are immediately recognized as a reduction of revenue over the promotional period. In accordance with IAS 18—*Revenue*, such promotions is also recognized as a reduction of revenue but over the contract period with the customer, which usually corresponds to 12 months.

Consequently, such deferral of promotion cost has a negative impact on revenue for the period ended March 31, 2012 for an amount of 11 K EUR.

(5) Loan issue costs

After the acquisition by Coditel Holding of the Coditel Luxembo urg and Coditel Belgium, some loan issue costs were incurred by Coditel Holding.

Consistently with Local GAAP, these loan issue costs incurred by Coditel Holding were immediately expensed. In accordance with IAS 39—*Financial Instruments: Recognition and Measurement*, such costs qualify as transaction costs and shall thus be included in the calculation of the amortized cost of the loan using the effective interest rate method as determined under IAS 23—*Borrowing Costs*.

As a result, the amortization expense of the loan issue costs is presented as ''Financing expenses'' and amounts to 801 KEUR for the period ended March 31, 2012. On the Coditel Belgium side there is an adjustment on the interest on the Profit & Loss side increasing the financial expenses in 113 K EUR. Consequently, the total impact represents 688 K EUR decrease in loans.

Accumulated impact on the Coditel Group represents 22.753 K EUR decrease on the loans as of March 31, 2012.

(6) Deferred taxes

On the contrary to Local GAAP, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities, and their tax base according to IAS 12—*Income taxes*. For deductible temporary differences and tax losses carried forward, a deferred tax asset is recognized to the extent that it is probable that taxable profit will be available.

Most temporary differences arise from the above IFRS-based adjustments.

Changes in deferred taxes subsequent to the date of transition are recognized as ‘‘income tax (expense)/benefit’’. Total impact of the increase in ‘‘Income tax’’ as a consequence of the IFRS adjustments represents 110 K EUR. Total deferred tax liabilities arising from the IFRS adjustments represents 6.731 K EUR.

No deferred tax asset has been recorded in relation to the carried forward losses of some Group entities since the Group’s ability to crystallise the deferred tax asset amounting to 9.069 K EUR is contingent upon various events that will arise in the future.

Unaudited Pro Forma IFRS Consolidated Financial Information

Coditel Holding as at and for the year ended December 31, 2012

Pro Forma IFRS Statement of Financial Position as of December 31, 2012:

KEUR

	Notes	Unaudited Pro Forma Consolidated Local GAAP 31/12/12	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated 31/12/12
ASSETS				
Cash and cash equivalents		6.469.221	—	6.469.221
Trade receivables		21.441.515	—	21.441.515
Other receivables		629.685	—	629.685
Inventories		563.813	—	563.813
Total current assets		**29.104.234**	**—**	**29.104.234**
Other long term trade receivables	(3)	—	2.745.000	2.745.000
Long-term trade receivables		71.013	—	71.013
Fixed assets	(2)	27.199.397	20.906.563	48.105.960
Intangible assets		14.137.501	—	14.137.501
Goodwill	(1)	240.898.449	103.239.963	344.138.412
Total non-current assets		**282.306.360**	**126.891.526**	**409.197.886**
TOTAL ASSETS		**311.410.594**	**126.891.526**	**438.302.120**

Pro Forma IFRS Statement of Financial Position as of December 31, 2012:

KEUR

	Notes	Unaudited Pro Forma Consolidated Local GAAP 31/12/12	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated 31/12/12
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures		5.906.617	—	5.906.617
Trade payables		28.550.996	—	28.550.996
Other payables	(3)	19.406.571	284.986	19.691.557
Provision for legal claims		223.661	—	223.661
Total current liabilities		**54.087.845**	**284.986**	**54.372.831**
Loans from banking corporations and debentures	(5)	238.476.191	−20.551.152	217.925.039
Long-term loans from related parties		154.537.910	—	154.537.910
Employee benefit liabilities		673.190	—	673.190
Deferred Taxes	(6)	2.802.001	6.043.357	8.845.358
Total non-current liabilities		**396.489.292**	**−14.507.795**	**381.981.497**
Share capital		643.235	—	643.235
Share premium		3.445.795	—	3.445.795
Accumulated losses		−143.255.575	141.114.336	−2.141.239
Total equity		**−139.166.545**	**141.114.336**	**1.947.791**
TOTAL EQUITY AND LIABILITIES		**311.410.593**	**126.891.526**	**438.302.119**

Pro Forma IFRS consolidated Statement of Comprehensive Income for the year ended December 31, 2012:

KEUR

	Notes	Unaudited Pro Forma Consolidated Local GAAP For the period 01/01/12 to 31/12/12	Unaudited Pro Forma IFRS Adj.	Unaudited Pro Forma IFRS Consolidated For the period 01/01/12 to 31/12/12
Revenues	(4)	**74.286,62**	**(126,66)**	**74.159,96**
Other operating expenses	(2) (3)	(17.331,08)	(348,99)	(17.680,07)
General and administrative expenses		(4.545,23)	—	(4.545,23)
Other sales and marketing expenses	(2)	(4.716,17)	(298,88)	(5.015,06)
Adjusted EBITDA		47.694,13	(774,52)	46.919,61
Depreciation and amortization	(1) (2)	(80.042,26)	68.899,76	(11.142,49)
Other expenses, net		(1.115,98)	—	(1.115,98)
Management fees		(1.941,12)	—	(1.941,12)
Result		**(35.405,23)**	**68.125,24**	**32.720,01**
Financing income	(5)	12,97	452,00	464,97
Financing expenses	(5)	(43.141,45)	(3.298,12)	(46.439,57)
Profit/(loss) before tax		**(78.533,71)**	**65.279,12**	**(13.254,59)**
Income tax (expense)/benefit		(2.332,95)	124,11	(2.208,84)
Net income		**(80.866,66)**	**65.403,23**	**(15.463,43)**

Notes to the Unaudited Pro Forma IFRS Consolidated Financial Information

A. BASIS OF PREPARATION

This Pro Forma IFRS consolidated Financial Information for the year ended December 31, 2012 was prepared under the responsibility of the Board of Directors and the management of Coditel Holding S.A. (''Coditel Holding'' or ''Coditel Group'') in the context of the Transactions and has been prepared on the following basis:

(i) The presentation of the consolidated profit and loss account and consolidated balance sheet; as extracted from the consolidated annual accounts of Coditel Holding prepared in accordance with Luxembourg GAAP (''LUX GAAP'' or ''Local GAAP''), has been modified in order to present a reporting format which is consistent with IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made to the consolidated annual accounts of Coditel Holding prepared under Local GAAP to present a consolidated Statement of the Financial Position and a consolidated Statement of Comprehensive Income that are in line with the presentation criteria of to IAS 1;

(ii) The aforementioned statements, as prepared using the revenue recognition and measurement criteria of Local GAAP ,have been restated; substantially based upon the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted in the EU''), with certain exceptions, of which the most significant are detailed in the note B below in which the reconciliation between the consolidated Local GAAP annual accounts and the consolidated Pro Forma IFRS consolidated financial information is also described.

In addition, only a complete set of consolidated financial statements (as defined in IAS 1) also comprising a statement of changes in equity, a statement of cash flows, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS as adopted in the EU.

B. Notes

(1) Goodwill

According to IAS 38, goodwill shall be measured at its cost less any accumulated impairment losses.

Consequently, the carrying amount of goodwill is revalued to its value at initial measurement. An impairment test performed on the same date in accordance with IAS 36—*Impairment of Assets* on the cash-generating units to which goodwill has been allocated reveals that no impairment loss needs to be recognized.

Therefore the following IFRS based adjustments are reported in the above tables:

- Decrease of the amortization expense for an amount of 68.732 KEUR for the year ended December 31, 2012 (103.240 K EUR on an accumulated basis since the Coditel Group was incorporated).

(2) Property, plant and equipment

Under Local GAAP, the tangible network assets are depreciated over a period of 10 years. In accordance with IAS 16—*Property, Plant and Equipment*, the estimated useful life of these network assets ranges between 30 and 40 years. In addition, the fair value of the network of Coditel Belgium and Coditel Luxembourg was estimated by an independent expert in 2006 in order to harmonize the measurement basis of network assets within the Ypso group.

In this context, the Coditel Holding elected to measure the network assets at their fair value (as their deemed cost) in accordance with IFRS 1. On this basis, a revaluation is recognized against combined retained earnings at the date of transition to IFRS in 2011. The impact of the difference in the depreciation during Q1 2012 consists of a decrease of the depreciation expense amounting to 168 K EUR for the year ended December 31, 2012.

In addition, certain costs included in property, plant and equipment under Local GAAP do not qualify for recognition as an asset under IAS 16 and are thus immediately expensed as ''Purchases and subcontracting services'' for an amount of 511 K EUR for the year.

Accumulated impact on the Pro Forma IFRS consolidated statement of financial position represents 20.907 K EUR.

(3) Pension plan assets

Under local GAAP, pensions are accounted for on a cash basis. Since Coditel Holding benefits from a contribution holiday, no pension cost is recognized. Furthermore, there are no amounts recognized in the Pro Forma IFRS consolidated statement of financial position with respect to the overfunded pension plan.

In accordance with IAS 19—*Employee Benefits*, the benefit obligations and pension expenses are based on the projected unit credit method.

A net asset is recognized in the Pro Forma IFRS consolidated statement of financial position under ''other non-current assets''. It corresponds to the amount of the surplus limited to the economic advantage available in the form of a reduction in future contributions (so-called asset ceiling) at the date of transition.

The pension expense is the sum of the service cost (i.e. the discounted value of the benefits earned during the year) and the interest cost on the benefit obligations, less the expected return on plan assets.

Coditel Holding opted for the recognition of all actuarial gains/losses and the effect of changes in the asset ceiling immediately in other comprehensive income for an amount of 299 KEUR for the year ended December 31, 2012.

The total impact of the pension plan impacts represents up to 2.745 K EUR increase in long term receivables and an increase in other payables up to 137 K EUR.

(4) Deferral of promotions

Under Local GAAP, promotions granted to customers in the form of free or discounted services, including promotional offers on packs, are immediately recognized as a reduction of revenue over the promotional period. In accordance with IAS 18—*Revenue*, such promotions is also recognized as a reduction of revenue but over the contract period with the customer, which usually corresponds to 12 months.

Consequently, such deferral of promotion cost has a negative impact on revenue for the year ended December 31, 2012 for an amount of 127 K EUR.

(5) Loan issue costs

After the acquisition by Coditel Holding of the Coditel Luxembourg and Coditel Belgium, some loan issue costs were incurred by Coditel Holding.

Consistently with Local GAAP, these loan issue costs incurred by Coditel Holding were immediately expensed. In accordance with IAS 39— *Financial Instruments: Recognition and Measurement*, such costs qualify as transaction costs and shall thus be included in the calculation of the amortized cost of the loan using the effective interest rate method as determined under IAS 23—*Borrowing Costs*.

As a result, the amortization expense of the loan issue costs is presented as ''Financing expenses'' and amounts to 3.298 KEUR for the year ended December 31, 2012. On the Coditel Belgium side there is an adjustment on the interest on the Profit & Loss side increasing the financial expenses in 452 K EUR. Consequently, the total impact represents 2.846 K EUR decrease in loans.

Accumulated impact in the Coditel Group represents 20.551 K EUR decrease on the loans as of December 31, 2012.

(6) Deferred taxes

On the contrary to Local GAAP, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities, and their tax base according to IAS 12—*Income taxes*. For deductible temporary differences and tax losses carried forward, a deferred tax asset is recognized to the extent that it is probable that taxable profit will be available.

Most temporary differences arise from the above IFRS-based adjustments.

Changes in deferred taxes subsequent to the date of transition are recognized as ''income tax expense/ benefit''. Total impact of the increase in ''Income tax'' as a consequence of the IFRS adjustments represents 124 K EUR for the year ended December 31, 2012. Total deferred tax liabilities arising from the IFRS adjustments represents 6.043 K EUR.

No deferred tax asset has been recorded in relation to the carried forward losses of some Group entities since the Group's ability to crystallise the deferred tax asset amounting to 14.858 K EUR is contingent upon various events that will arise in the future.

Unaudited Pro Forma IFRS Consolidated Financial Information

Coditel Holding for the period from January 1, 2011 to December 31, 2011

Combined Pro Forma Financial Information (IFRS)

Combined Pro forma IFRS Consolidated Statement of Comprehensive Income for the period from January 1, 2011 to December 31, 2011

EUR	Notes	Coditel Bel BE GAAP For the period 01/01/11 to 31/07/11	Coditel Lux LUX GAAP For the period 01/01/11 to 31/07/11	Coditel Holding LUX GAAP CONSO For the period 01/08/11 to 31/12/11	Unaudited Elimination Bel Lux	Unaudited Codital Total Local GAAP	Unaudited IFRS adj.	Unaudited 2011 Coditel Pro forma IFRS For the period 01/01/11 to 31/12/11
Revenues	(4)	28.204.532	9.479.911	28.133.560	−60.000	65.758.003	251.690	66.009.693
COS		**−4.485.602**	**−1.686.291**	**−4.063.410**	**—**	**−10.235.303**	**—**	**−10.235.303**
Depreciation and amortization .	(1) (2)	−4.714.376	−3.344.916	−33.431.754	—	−41.491.046	30.218.939	−11.272.107
Operating expenses	(2) (3)	−2.875.593	−585.829	−3.068.223	−60.000	−6.589.645	−431.279	−6.900.924
Selling and marketing expenses		−1.848.637	−526.993	−2.105.772	—	−4.481.402	—	−4.481.402
General and administrative expenses		−1.563.266	−657.206	−1.968.239	—	−4.188.711	—	−4.188.711
Otherexpenses, net		−2.998.700	−963.898	—	—	−3.962.598	—	−3.962.598
Capitalised labour		583.331	204.141	562.488	—	1.349.960	—	1.349.960
Operating profit		**10.301.688**	**1.918.919**	**−15.941.350**	**—**	**−3.720.743**	**30.039.349**	**26.318.608**
Financing income		621.629	242.183	604.127	—	1.467.939	279.450	1.747.389
Financing expenses	(5)	−11.525.087	−2.550.356	−27.363.945	—	−41.439.388	23.396.566	−18.042.822
Profit/(loss) before tax		**−601.770**	**−389.253**	**−42.701.168**	**—**	**−43.692.191**	**53.715.366**	**10.023.174**
Income tax (expense)/benefit . .		34.587	−444.830	49.080	—	−361.163	−4.209.810	−4.570.973
Net income		**−567.183**	**−834.083**	**−42.652.088**	**0**	**−44.053.354**	**49.505.556**	**5.542.202**

Notes to the Unaudited Combined Pro Forma IFRS Consolidated Financial Information

1. BASIS OF PREPARATION

This Combined Pro Forma *IFRS consolidated Statement of Comprehensive Income* for the year ended December 31, 2011 was prepared under the responsibility of the Board of Directors and the management of Coditel Holding in the context of the Transactions and on the following basis:

(i) The presentation of the profit and loss accounts; as extracted from:

- the individual financial statements and/or annual accounts of Coditel Belgium and Coditel Luxembourg for the period from January 1, 2011 to July 31, 2011; prepared respectively in accordance with Belgian GAAP (''BE GAAP'') and Luxembourg GAAP (''LUX GAAP'' and collectively ''Local GAAP''), and
- the consolidated annual accounts of Coditel Holding for the period from August 1, 2011 to December 31, 2011, prepared in accordance with LUX GAAP,

have been modified in order to present a reporting format which is aligned with the presentation requirements of IAS 1—*Presentation of Financial Statements*. Accordingly, certain reclassifications have been made from the individual financial statements and/or annual accounts of Coditel Belgium, Coditel Holding and Coditel Luxembourg prepared under Local GAAP to align with the presentation requirements of IAS 1.

(ii) The Pro Forma IFRS adjustments have been applied to the resulting combined pro forma statement of comprehensive income as prepared under Local GAAP according to section (ii) above in order to restate the statement on a basis substantially consistent with the recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''IFRS as adopted in the EU''), with certain exceptions, the most significant of which are the following:

- The changes in accounting policies compared to Local GAAP are detailed in the note 2 below which the reconciliation between the pro forma combined Local GAAP financial information and the combined IFRS-based financial information is also presented. The requirements of IAS 27—Consolidated and Separate Financial Statements have not been complied with for the following reasons:

There is no accounting basis to consolidate / combine the financial statements of Coditel Belgium, Coditel Holding and Coditel Luxembourg as there are no controls links before August 1, 2011.

In addition, only a complete set of consolidated financial statements (as defined in IAS 1) also comprising a statement of financial position, statements of changes in equity and cash flows, comparative information and explanatory notes, can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS as adopted by the EU.

2. Notes

(1) Goodwill

As per IFRS 3- *Business Combinations* goodwill is not amortized. Therefore the Local GAAP amortization charge for the year ended amouting to EUR 28.678 thousand has been reversed via a pro forma IFRS adjustment.

(2) Property, plant and equipment

Under Local GAAP, the tangible network assets are depreciated over a period of 10 years. In accordance with IAS 16—*Property, Plant and Equipment*, the estimated useful life of these network assets ranges between 30 and 40 years. The impact of the difference in the depreciation period consists of a decrease of the depreciation expense amounting to 1.541 KEUR (469 KEUR for Luxembourg and 1.072 KEUR for Belgium) for the year ended December 31, 2011.

In addition, certain costs included in property, plant and equipment under Local GAAP do not qualify for recognition as an asset under IAS 16 and are thus immediately expensed as ''Purchases and subcontracting services'' for an amount of 192 KEUR for the year 2011 (only impacting Belgium).

(3) Pension plan assets

Under local GAAP, pensions are accounted for on a cash basis. Since Coditel Holding benefits from a contribution holiday, no pension cost is recognized. Furthermore, there are no amounts recognized in the balance sheet with respect to the overfunded pension plan.

In accordance with IAS 19—*Employee Benefits*, the benefit obligations and pension expense are based on the projected unit credit method.

A net asset is recognized in the combined Pro Forma consolidated statement of financial position under ''other non-current assets''. It corresponds to the amount of the surplus limited to the economic advantage available in the form of a reduction in future contributions (so-called asset ceiling).

The pension expense is the sum of the service cost (i.e. the discounted value of the benefits earned during the year) and the interest cost on the benefit obligations, less the expected return on plan assets.

Coditel Holding opted for the recognition of all actuarial gains/losses and the effect of changes in the asset ceiling immediately in other comprehensive income for an amount of 165 KEUR for the year ended December 31, 2011.

(4) Deferral of promotion

Under Local GAAP, promotions granted to customers in the form of free or discounted services, including promotional offers on packs, are immediately recognized as a reduction of revenue over the promotional period. In accordance with IAS 18—*Revenue*, such promotions is also recognized as a reduction of revenue but over the contract period with the customer, which usually corresponds to 12 months.

Consequently, such deferral of promotion cost has a positive impact on:

- Revenue for the year ended December 31, 2011 for an amount of 252 KEUR.

(5) Loan issue costs

After the acquisition by Coditel Holding of the Coditel Luxemburg and Coditel Belgium, some loan issue costs were incurred by Coditel Holding.

Consistently with Local GAAP, these loan issue costs incurred by Coditel Holding were immediately expensed. In accordance with IAS 39—*Financial Instruments: Recognition and Measurement*, such costs qualify as transaction costs and shall thus be included in the calculation of the amortized cost of the loan using the effective interest rate method.

As a result, the amortization expense of the loan issue costs is presented as ''Financing expenses'' and amounts to 23.487 KEUR for the year ended December 31, 2011.

(6) Deferred taxes

On the contrary to Local GAAP, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities, and their tax base according to IAS 12—*Income taxes*. For deductible temporary differences and tax losses carried forward, a deferred tax asset is recognized to the extent that it is probable that taxable profit will be available.

Most temporary differences arise from the above IFRS-based adjustments.

Changes in deferred taxes subsequent to the date of transition are recognized as ''Income tax'', Total impact of the decrease in taxes on revenue as a consequence of the IFRS adjustments represents 4.210 K EUR for the year ended December 31, 2011.

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MTVC

Unaudited Pro Forma Financial Information

Martinique TV Câble

Société Anonyme

Zone de la Jambette
97 232 Le Lamentin

Statutory auditor's report
on the financial information composed of a balance sheet
and a profit and loss

For the following periods:

- twelve-month period ended December 31st, 2011
- twelve-month period ended December 31st, 2012
- three-month period ended March 31st, 2012
- three-month period ended March 31st, 2013

(the ''**Reporting Periods**'')

Martinique TV Câble

Société Anonyme

Zone de la Jambette
97 232 Le Lamentin

Statutory auditor's report
on the financial information composed of a balance sheet
and a profit and loss

For the following periods:

- twelve-month period ended December 31st, 2011
- twelve-month period ended December 31st, 2012
- three-month period ended March 31st, 2012
- three-month period ended March 31st, 2013

(the ''**Reporting Periods**'')

To the President of the Board,

As statutory auditor of Martinique TV Câble (''MTVC'') and at your request in connection with the contemplated bond issuance by Altice VII, we have reviewed the accompanying financial information composed of a balance sheet as at the end of the Reporting Periods and a profit and loss for the following Reporting Periods (thereafter the ''**Financial Information**''):

- twelve-month period ended December 31st, 2011,
- twelve-month period ended December 31st, 2012,
- three-month period ended March 31st, 2012,
- three-month period ended March 31st, 2013.

This Financial Information was prepared under the responsibility of the President of the Board in the context described above and as it is not intended to be addressed to shareholders has not been approved by the Board of Directors. Our role is to express a conclusion on this Financial Information based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the Financial Information, taken as a whole, is free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation described in the notes to the Financial Information.

Without qualifying our opinion, we draw your attention to:

- Note 1.2 to the Financial Information which indicates the context in which the Financial Information has been prepared on a going concern basis.
- Note 1.1 to the Financial Information which explains that the Financial Information has been prepared in the context of the contemplated bond issuance mentioned above and, as such, does not represent a full set of financial statements with regard to IFRS as adopted by the European Union. Under these accounting standards, only a complete set of financial statements comprising a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at the period end, and of the results of its operations for the period then ended.
- Note 1.1 to the Financial Information which indicates that had the Company undertaken a quantitative reconciliation of its financial statements from French GAAP to EU IFRS other differences might have been identified which would have been reported in the Financial Information. In particular, the Financial Information has not been adjusted to reflect the proper reclassification of certain exceptional income and expense items that have been classified as ‘‘exceptional items’’ under French GAAP.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

We accept no responsibility towards any third parties to whom this report is distributed or who obtain a copy by any other means.

This report is governed by, and construed in accordance with, French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, June 11, 2013
The Statutory Auditor
Deloitte & Associés

Christophe Saubiez

MTVC—K€	31/12/2011 FRENCH GAAP	IFRS entries	31/12/2011 IFRS	Note
Revenues	**11,893**	**(120)**	**11,773**	**3a**
Other operating expenses	4,844		4,844	
Selling and marketing expenses	675		675	
General and administrative expenses	633		633	
EBITDA	**5,741**	**−120**	**5,621**	
Depreciation and amortization	3,257		3,257	
Other(revenues)/expenses, net	151		151	
Reorganisation costs / Extraordinary items		1,493	1,493	3c
Management Fees	977		977	
Operating profit	**1,356**	**(1,613)**	**(257)**	
Financing income	(23)		−23	
Financing expenses	473		473	
Net exceptional items	1,493	(1,493)	0	3c
Profit before taxes on revenue	**(587)**		**(707)**	
Taxes on revenue				
Net income	**(587)**	**(120)**	**(707)**	

MTVC—K€	31/12/2012 French GAAP	IFRS entries	31/12/2012 IFRS	Note
Revenues	**12,882**	**(4)**	**12,878**	**3a**
Other operating expenses	4,949	14	4,963	3b
Selling and marketing expenses	549		549	
General and administrative expenses	527		527	
EBITDA	**6,857**	**(18)**	**6,839**	
Depreciation and amortization	2,631		2,631	
Other(revenues)/expenses, net	129		129	
Reorganisation costs / Extraordinary items		−199	−199	3c
Management Fees	1,161		1,161	
Operating profit	**2,935**	**(18)**	**3,116**	
Financing income	−20		−20	
Financing expenses	392		392	
Net exceptional items	−199	199	—	3c
Profit before taxes on revenue	**2,762**		**2,744**	
Taxes on revenue				
Net income	**2,762**	**(18)**	**2,744**	

MTVC—K€	31/03/2012 FRENCH GAAP	IFRS entries	31/03/2012 IFRS	Note
Revenues	**3,146**	**– 1**	**3,145**	**3a**
Other operating expenses	1,305	4	1,309	3b
Selling and marketing expenses	182		182	
General and administrative expenses	135		135	
EBITDA	**1,524**	**(5)**	**1,519**	
Depreciation and amortization	671		671	
Other(revenues)/expenses, net	32		32	
Reorganisation costs / Extraordinary items	– 71		– 71	
Management Fees	290		290	
Operating profit	**602**	**(5)**	**597**	
Financing income	– 6		– 6	
Financing expenses	109		109	
Profit before taxes on revenue	**499**		**494**	
Taxes on revenue				
Net income	**499**	**(5)**	**494**	

MTVC—K€	31/03/2013 FRENCH GAAP	IFRS entries	31/03/2013 IFRS	Note
Revenues	**3,095**	**12**	**3,107**	**3a**
Other operating expenses	1,216	4	1,219	3b
Selling and marketing expenses	115		115	
General and administrative expenses	75		75	
EBITDA	**1,689**	**9**	**1,698**	
Depreciation and amortization	674		674	
Other(revenues)/expenses, net	32		32	
Reorganisation costs / Extraordinary items	29		29	
Management Fees	275		275	
Operating profit	**680**	**9**	**688**	
Financing income	−4		−4	
Financing expenses	92		92	
Profit before taxes on revenue	**592**		**600**	
Taxes on revenue				
Net income	**592**	**9**	**600**	

MTVC—K€	31/12/2011 French Gaap	IFRS Entries	31/12/2011 IFRS	Note
ASSETS				
Cash and Cash equivalents	51		51	
Restricted cash	—		—	
Trade reveivables and related accounts	522		522	
Other receivables	2,518		2,518	
Inventories	—		—	
Total current assets	**3,091**		**3,091**	
Loans	707		707	
Investment in financial assets available for sale			—	
Other long-term financial assets	58		58	
Property, Plant and Equipment	17,002		17,002	
Intangible assets	639		639	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**18,406**		**18,406**	
TOTAL ASSETS	**21,497**		**21,497**	
EQUITY AND LIABILITIES				
Bank borrowings—overdrafts and credit facilities	52		52	
Operating liabilities, amounts payable in respect of fixed assets	7,423		7,423	
Other payables	569	292	861	3a
Short-term loans from related parties			—	
Provision for legal contengencies	871		871	
Total current liabilities	**8,915**	**292**	**9,207**	
Loans from banking corporations and debentures			—	
Other borrowings and other liabilities	9,661		9,661	
Other long-term liabilities			—	
Advances received from the terminal equipment Installation			—	
Employee benefit liabilities		96	96	3b
Deferred Taxes			—	
Total non-current liabilities	**9,661**	**96**	**9,757**	
Share capital	3,513		3,513	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained earnings		(268)	(268)	
Accumulated profit (loss), Profit (loss) for the period	(592)	(120)	(712)	
Total shareholders' equity	**2,921**	**(388)**	**2,533**	
TOTAL EQUITY AND LIABILITIES	**21,497**		**21,497**	

MTVC—K€	31/12/2012 FRENCH GAAP	IFRS Entries	31/12/2012 IFRS	Note
ASSETS				
Cash and Cash equivalents	106		106	
Restricted cash	—		—	
Trade reveivables	549		549	
Other receivables	5,182		5,182	
Inventories	—		—	
Total current assets	**5,837**		**5,837**	
Long-term trade receivables	—		—	
Investment in financial assets available for sale			—	
Other long-term receivables	655		655	
Fixed assets	17,691		17,691	
Intangible assets			—	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**18,346**		**18,346**	
TOTAL ASSETS	**24,183**		**24,183**	
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures	34		34	
Trade payables	7,910		7,910	
Other payables	1,183	296	1,479	3a
Short-term loans from related parties			—	
Provision for legal claims	821		821	
Total current liabilities	**9,948**	**296**	**10,244**	
Loans from banking corporations and debentures			—	
Long-term loans from related parties	8,551		8,551	
Other long-term liabilities			—	
Advances received from the terminal equipment Installation			—	
Employee benefit liabilities		110	110	3b
Deferred Taxes			—	
Total non-current liabilities	**8,551**	**110**	**8,661**	
Share capital	3,513		3,513	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained Earnings		(388)	(388)	
Accumulated profit(loss)	2,171	(18)	2,153	
Total equity	**5,684**	**(406)**	**5,278**	
TOTAL EQUITY AND LIABILITIES	**24,183**		**24,183**	

MTVC—K€	31/03/2012 FRENCH GAAP	IFRS Entries	31/03/2012 IFRS	Note
ASSETS				
Cash and Cash equivalents	63		63	
Restricted cash			—	
Trade reveivables	707		707	
Other receivables	2,631		2,631	
Inventories	8		8	
Total current assets	**3,409**		**3,409**	
Long-term trade receivables			—	
Investment in financial assets available for sale			—	
Other long-term receivables	—		—	
Fixed assets	18,691		18,691	
Intangible assets			—	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**18,691**		**18,691**	
TOTAL ASSETS	**22,100**		**22,100**	
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures			—	
Trade payables	7,628		7,628	
Other payables	552	293	845	3a
Short-term loans from related parties			—	
Provision for legal claims	871		871	
Total current liabilities	**9,051**	**293**	**9,344**	
Loans from banking corporations and debentures			—	
Long-term loans from related parties	9,628		9,628	
Other long-term liabilities			—	
Advances received from the terminal equipment Installation			—	
Employee benefit liabilities		100	100	3b
Deferred Taxes			—	
Total non-current liabilities	**9,628**	**100**	**9,728**	
Share capital	3,513		3,513	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained earnings		(388)	(388)	
Accumulated profit(loss)	(93)	(5)	(98)	
Total equity	**3,420**	**(393)**	**3,028**	
TOTAL EQUITY AND LIABILITIES	**22,100**		**22,100**	

MTVC—K€	31/03/2013 FRENCH GAAP	IFRS Entries	31/03/2013 IFRS	Note
ASSETS				
Cash and Cash equivalents	415		415	
Restricted cash			—	
Trade reveivables	1,113		1,113	
Other receivables	5,724		5,724	
Inventories			—	
Total current assets	**7,252**		**7,252**	
Long-term trade receivables			—	
Investment in financial assets available for sale			—	
Other long-term receivables			—	
Fixed assets	18,443		18,443	
Intangible assets			—	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**18,443**		**18,443**	
TOTAL ASSETS	**25,695**		**25,695**	
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures			—	
Trade payables	8,339		8,339	
Other payables	1,255	284	1,539	3a
Short-term loans from related parties			—	
Provision for legal claims	821		821	
Total current liabilities	**10,415**	**284**	**10,699**	
Loans from banking corporations and debentures			—	
Long-term loans from related parties	9,004		9,004	
Other long-term liabilities			—	
Advances received from the terminal equipment Installation			—	
Employee benefit liabilities		114	114	3b
Deferred Taxes			—	
Total non-current liabilities	**9,004**	**114**	**9,118**	
Share capital	3,513		3,513	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained earnings		(406)	(406)	
Accumulated profit(loss)	2,762	9	2,771	
Total equity	**6,275**	**(398)**	**5,878**	
TOTAL EQUITY AND LIABILITIES	**25,695**		**25,695**	

Notes to the Financial Information

MTVC S.A. (''The Company'') is a public limited liability Company (''Société Anonyme'') incorporated under French law. Its registered office is located at Zone de la Jambette 97232 Le Lamentin (Martinique—France).

The Financial Information of MTVC is prepared for the following periods (''**The Reporting Periods**''):

- twelve-month period ended December 31st, 2011;
- twelve-month period ended December 31st, 2012;
- three-month period ended March 31st, 2012;
- three-month period ended March 31st, 2013;

The Financial Information is composed of a reconciliation between accounting principles generally accepted in France (''**French GAAP**'') as applied by the Company and certain recognition and measurement principles of International Financial Reporting Standards as adopted in the European Union (''**EU IFRS**'') for i) the balance sheet and ii) the profit and Loss (together with the accompanying explanatory notes, the ''**Financial Information**'').

MTVC is owned at 99,99% subsidiary of Altice Blue One (''ABO''), which is wholly-owned by Altice VII.

This Financial Information was prepared under the responsibility of the management of MTVC in the context of a contemplated bond issuance by Altice VII.

1. BASIS OF PREPARATION

1.1 Context of preparation

The following is a discussion of significant differences between French GAAP and EU IFRS as they relate to MTVC financial statements and a reconciliation to EU IFRS of the balance sheet as of the end of the Reporting Periods and the profit and loss for the Reporting Periods then ended based on those differences identified which have a significant effect on the Company's profit for the period and equity.

The Financial Information for the Reporting Periods has been prepared in the context of a contemplated bond issuance and, as such, does not represent a complete set of financial statements with regard to EU IFRS. Under EU IFRS, only a complete set of financial statements comprising a balance sheet, an income statement, a statement of changes in equity and a cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the financial position, results of operations, and cash flows of a company in accordance with EU IFRS. Since the Financial Information does not conform to all the presentation and disclosure requirements of IFRS, such Financial Information cannot be considered as prepared in accordance with IFRS.

MTVC has not undertaken a quantitative reconciliation of its financial statements from French GAAP to EU IFRS. Had MTVC undertaken any such quantitative reconciliation, other potentially significant accounting and disclosure differences may have come to the attention of management, which are not identified herein. Accordingly, there can be no assurance that these are the only differences in accounting principles that would have an impact on the financial statement of MTVC. In particular, the Financial Information has not been adjusted to reflect the proper reclassification of certain exceptional income and expense items that have been classified as ''extraordinary items'' under French GAAP.

As a result, the Financial Information shall not be construed as the first IFRS financial statements as defined in IFRS 1.

The IFRS Adjustments detailed below have been prepared as of the end of The Reporting Periods based on IFRS applicable as of that date. New standards either released by the IASB but not effective as of the end of the Reporting Periods, or currently developed by the IASB might significantly affect the financial statements of these entities. The IFRS Adjustments identified should not be construed as an analysis of the impact of such new standards and they should be reassessed upon the effective of any new standard.

Certain reclassifications have been made to the presentation we have adopted in our historical French GAAP financial statements to conform to the presentation for the Pro forma Financial Data. For clarity purposes, income statement items of in the French GAAP column herein is presented in a manner consistent with the presentation of the income statement items of the Pro forma Financial Data. For purposes of this reconciliation:

- ''Revenue'' corresponds in the income statement of MTVC to ''Net sales''
- ''Net operating income'' corresponds in the income statement of MTVC to ''Operating Profit''
- ''Net Income'' corresponds in the income statement of MTVC to ''Net income (loss) for the Period''

1.2 Going concern assumption

The going concern assumption is based on the financial support received from Altice Blue One which holds 99,99% % of MTVC. This financial support has been granted in order to enable MTVC to continue its business under normal condition until the Shareholders' meeting approves the financial statements of MTVC as of December 31, 2013.

In the context of the contemplated bond issuance, Altice VII through its financing subsidiaries (Altice Financing S.A and Altice Finco S.A) will issue senior notes and a portion of the proceeds will be used to refinance the existing financial indebtedness of MTVC.

2. *EXPLANATORY NOTES*

(1) Property, plant and equipment

Tangible assets are measured at their acquisition cost or production cost, less any accumulated amortization and impairment. Certain costs included in property, plant and equipment correspond to capitalized costs as they qualify for recognition as an asset.

Tangible assets are depreciated over a period comprised between 3 and 20 years, depending on the nature of related assets:

Construction	10 to 20 years
Improvements	6 to 12 years
Transportation	4 years
Information Technology	3 to 10 years
Information Technology	15 years

(2) Revenue

Revenue is mainly composed of TV subscriptions (TV), broadband Internet, basic cable services, telephony and installations fees invoiced to residential and business clients.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group.

Revenue is recognized and presented as follows, in accordance with IAS 18 Revenue (IAS 18):

- Revenues from subscriptions for basic cable services, digital TV pay, internet and telephony are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered.
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients when they only allow to access to the services and are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period.

(3) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are not recognised as assets and the corresponding liability to the lessor is not recorded in the balance sheet as lease obligations, under financial debt.

The Company has not identified any contract that should be classified as a finance lease.

(4) Receivables and Payables

Receivables and payables are measured at their nominal value.

An allowance for impairment is recorded for trade receivables if their present value falls below their book value. Present value is determined based on the age of the receivables and the collectability risk.

(5) Provisions for Contingencies and Liabilities

- **General Considerations**

The Company records provisions for contingent liabilities which are defined as liabilities with no precise maturity date or amount. A liability is something that has negative economic value for the Company, as it represents the Company's obligation to a third party which will probably or certainly lead to the use of resources for the benefit of the third party, and for which no consideration is expected.

- **Provision for Litigation**

Disputes are provisioned on a case-by-case basis to reflect the associated risk. The Company estimates risk based on the assessments of its advisors.

- **Provision for Retirement Benefits**

The company participates in employee benefit plans through defined contribution plans, and defined benefit plans. The Group accounts for pension costs related to defined contribution plans as they are incurred within personnel expenses in the income statement.

Estimates of the company's pension and end of service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 *Employee Benefits* (IAS 19), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turn-over of beneficiaries, the increase of salary, the expected average life span and the probable future length of the employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in profit and loss when they are incurred.

(6) EBITDA

EBITDA corresponds to Earnings Before Interests Taxes Depreciation and Amortization. Depreciation on receivables is excluded from ''EBITDA'' and is recorded in the caption ''Other operating expenses'' in the profit and loss.

(7) Extraordinary costs/income

Reorganization costs and extraordinary items are considered as non-recurring and are recorded under the EBITDA.

(8) Management fees

ABO Management fees are recorded as ''General and Administrative'' expenses in the profit and loss. Altice VII management fees are recorded separately and excluded from the EBITDA.

(9) Intercompany transactions

Intercompany transactions are not eliminated in the Financial Information presented.

3. IFRS ADJUSTMENTS IMPACTS

The nature of the adjustments between French Gaap and IFRS are:

*a. Recognition of Service Access fees (''**SAF**'')*

In accordance with IAS 18, service access fees for business clients when they only allow to access to the services and are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period.

Under IFRS, the revenue is decreased by the amount of deferred revenue. In the balance sheet, the deferred revenue is presented on the line ‘‘other payables’’.

b. Provision for Retirement Benefits

Provision for Retirement Benefits is not recorded in the financial statements prepared under French Gaap while they are under IFRS.

Under IFRS, the expense is booked as an ‘‘operating expense’’. In the balance sheet, the provision is presented on the line ‘‘Employee Benefit Liability’’.

c. Reclassification of exceptional items

Certain extraordinary income / charges that have been classified within ‘‘Net exceptional Items’’ in the income statement under French Gaap have been reclassified within ‘‘Operating Income’’ to conform to the presentation used for the Pro forma Financial Data.

World Satellite Guadeloupe

Société Anonyme

267, rue Robert Fulton
97 122 Baie—Mahault

Statutory auditor's report
on the financial information composed of a balance sheet
and a profit and loss

For the following periods:

- twelve-month period ended December 31st, 2011
- twelve-month period ended December 31st, 2012
- three-month period ended March 31st, 2012
- three-month period ended March 31st, 2013

(the ''**Reporting Periods**'')

World Satellite Guadeloupe

Société Anonyme

267, rue Robert Fulton
97 122 Baie—Mahault

Statutory auditor's report
on the financial information composed of a balance sheet
and a profit and loss

For the following periods:

- twelve-month period ended December 31st, 2011
- twelve-month period ended December 31st, 2012
- three-month period ended March 31st, 2012
- three-month period ended March 31st, 2013

(the ''**Reporting Periods**'')

To the President of the Board,

As statutory auditor of World Satellite Guadeloupe (''WSG'') and at your request in connection with the contemplated bond issuance by Altice VII, we have reviewed the accompanying financial information composed of a balance sheet as at the end of the Reporting Periods and a profit and loss for the following Reporting Periods (thereafter the ''**Financial Information**''):

- twelve-month period ended December 31st, 2011,
- twelve-month period ended December 31st, 2012,
- three-month period ended March 31st, 2012,
- three-month period ended March 31st, 2013.

This Financial Information was prepared under the responsibility of the President of the Board in the context described above and as it is not intended to be addressed to shareholders has not been approved by the Board of Directors. Our role is to express a conclusion on this Financial Information based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the Financial Information, taken as a whole, is free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation described in the notes to the Financial Information.

Without qualifying our opinion, we draw your attention to:

- Note 1.2 to the Financial Information which indicates the context in which the Financial Information has been prepared on a going concern basis.
- Note 1.1 to the Financial Information which explains that the Financial Information has been prepared in the context of the contemplated bond issuance mentioned above and, as such, does not represent a full set of financial statements with regard to IFRS as adopted by the European Union. Under these accounting standards, only a complete set of financial statements comprising a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, together with comparative financial information and explanatory notes give a true and fair view of the assets and liabilities and of the financial position of the Company as at the period end, and of the results of its operations for the period then ended.
- Note 1.1 to the Financial Information which indicates that had the Company undertaken a quantitative reconciliation of its financial statements from French GAAP to EU IFRS other differences might have been identified which would have been reported in the Financial Information. In particular, the Financial Information has not been adjusted to reflect the proper reclassification of certain exceptional income and expense items that have been classified as ‘‘exceptional items’’ under French GAAP.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

We accept no responsibility towards any third parties to whom this report is distributed or who obtain a copy by any other means.

This report is governed by, and construed in accordance with, French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, June 11, 2013
The Statutory Auditor
Deloitte & Associés

Christophe Saubiez

WSG—K€	31/12/2011 FRENCH GAAP	IFRS entries	31/12/2011 IFRS	Note
Revenues	**11,683**	**(92)**	**11,591**	**3a**
Other operating expenses	5,075		5,075	
Selling and marketing expenses	819		819	
General and administrative expenses	656		656	
EBITDA	**5,133**	**(92)**	**5,041**	
Depreciation and amortization	3,011		3,011	
Other(revenues)/expenses, net	202		202	
Reorganisation costs /Extraordinary items		892	892	3c
Management Fees	909		909	
Operating profit	**1,011**	**(984)**	**27**	
Financing income			0	
Financing expenses	774		774	
Net exceptional items	892	−892	—	3c
Profit before taxes on revenue	**(656)**		**(748)**	
Taxes on revenue				
Net income	**(656)**	**(92)**	**(748)**	

WSG—K€	31/12/2012 FRENCH GAAP	IFRS entries	31/12/2012 IFRS	Note
Revenues	**11,545**	**6**	**11,551**	**3a**
Other operating expenses	5,250		5,250	
Selling and marketing expenses	890		890	
General and administrative expenses	698		698	
EBITDA	**4,707**	**6**	**4,713**	
Depreciation and amortization	3,577		3,577	
Other(revenues)/expenses, net	114		114	
Reorganisation costs /Extraordinary items		370	370	3c
Management Fees	895		895	
Operating profit	**121**	**−364**	**(243)**	
Financing income	−43		−43	
Financing expenses	617		617	
Net exceptional items	370	−370		3c
Profit before taxes on revenue	**(823)**		**(817)**	
Taxes on revenue				
Net income	**(823)**	**6**	**(817)**	
Other comprehensive loss/income	**—**			
Total Comprehensive income	**(823)**	**6**	**(817)**	

WSG—K€	31/03/2012 FRENCH GAAP	IFRS entries	31/03/2012 IFRS	Note
Revenues	**2,835**	**1**	**2,836**	**3a**
Other operating expenses	1,312		1,312	
Selling and marketing expenses	207		207	
General and administrative expenses	165		165	
EBITDA	1,151	1	1,152	
Depreciation and amortization	870		870	
Other(revenues)/expenses, net	51		51	
Reorganisation costs /Extraordinary items	(20)		−20	
Management Fees	137		137	
Operating profit	**113**	**1**	**114**	
Financing income	(9)		−9	
Financing expenses	181		181	
Profit before taxes on revenue	**(59)**		**(58)**	
Taxes on revenue				
Net income	**(59)**	**1**	**(58)**	
Other comprehensive loss/income				
Total Comprehensive income	**(59)**	**1**	**(58)**	

WSG—K€	31/03/2013 FRENCH GAAP	IFRS entries	March 31, 2013 IFRS	Note
Revenues	**2,948**	**16**	**2,964**	**3a**
Other operating expenses	1,056		1,056	
Selling and marketing expenses	241		241	
General and administrative expenses	159		159	
EBITDA	**1,456**	**16**	**1,472**	
Depreciation and amortization	879		879	
Other(revenues)/expenses, net	52		52	
Reorganisation costs /Extraordinary items	(40)		– 40	
Management Fees	250		250	
Operating profit	**315**	**16**	**331**	
Financing income	(7)		– 7	
Financing expenses	147		147	
Profit before taxes on revenue	**176**		**192**	
Taxes on revenue				
Net income	**176**	**16**	**192**	

WSG—K€	31/12/2012 FRENCH GAAP	IFRS Entries	31/12/2012 IFRS	Note
ASSETS				
Cash and Cash equivalents	132		132	
Restricted cash	0		—	
Trade reveivables	2,365		2,365	
Other receivables	580		580	
Inventories			—	
Total current assets	**3,077**		**3,077**	
Long-term trade receivables			—	
Investment in financial assets available for sale	939		939	
Other long-term receivables	122		122	
Fixed assets	19,111		19,111	
Intangible assets			—	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**20,172**		**20,172**	
TOTAL ASSETS	**23,249**		**23,249**	
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures			—	
Trade payables	9,753		9,753	
Other payables	6,081	475	6,556	3a
Short-term loans from related parties			—	
Provision for legal claims	311		311	
Total current liabilities	**16,145**	**475**	**16,620**	
Loans from banking corporations and debentures			—	
Long-term loans from related parties	15,027		15,027	
Other long-term liabilities	62		62	
Advances received from the terminal equipment Installation			—	3b
Employee benefit liabilities		165	165	
Deferred Taxes			—	
Total non-current liabilities	**15,089**	**165**	**15,254**	
Share capital	1,200		1,200	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained earnings		(646)	(646)	
Accumulated profit(loss)	−9,185	6	(9,179)	
Total equity	**−7,985**	**(640)**	**(8,625)**	
TOTAL EQUITY AND LIABILITIES	**23,249**		**23,249**	

WSG—K€	31/03/2012 FRENCH GAAP	IFRS Entries	31/03/2012 IFRS	Note
ASSETS				
Cash and Cash equivalents	92		92	
Restricted cash			—	
Trade reveivables	1,223		1,223	
Other receivables	736		736	
Inventories	—		—	
Total current assets	**2,051**		**2,051**	
Long-term trade receivables			—	
Investment in financial assets available for sale	1,192		1,192	
Other long-term receivables	125		125	
Fixed assets	19,234		19,234	
Intangible assets			—	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**20,551**		**20,551**	
TOTAL ASSETS	**22,602**		**22,602**	
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures			—	
Trade payables	9,060		9,060	
Other payables	638	479	1,117	3a
Short-term loans from related parties			—	
Provision for legal claims	229		229	
Total current liabilities	**9,927**	**479**	**10,406**	
Loans from banking corporations and debentures			—	
Long-term loans from related parties	19,211		19,211	
Other long-term liabilities	685		685	
Advances received from the terminal equipment Installation			—	
Employee benefit liabilities		165	165	3b
Deferred Taxes			—	
Total non-current liabilities	**19,896**	**165**	**20,061**	
Share capital	1,200		1,200	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained earnings		(646)	(646)	
Accumulated profit(loss)	(8,421)	2	(8,419)	
Total equity	**(7,221)**	**(644)**	**(7,865)**	
TOTAL EQUITY AND LIABILITIES	**22,602**		**22,602**	

WSG—K€	31/03/2013 FRENCH GAAP	IFRS Entries	31/03/2013 IFRS	Note
ASSETS				
Cash and Cash equivalents	451		451	
Restricted cash			—	
Trade reveivables	2,294		2,294	
Other receivables	1,096		1,096	
Inventories	—		—	
Total current assets	**3,841**		**3,841**	
Long-term trade receivables			—	
Investment in financial assets available for sale	895		895	
Other long-term receivables	27		27	
Fixed assets	18,622		18,622	
Intangible assets			—	
Goodwill			—	
Deferred taxes			—	
Total non-current assets	**19,544**		**19,544**	
TOTAL ASSETS	**23,384**		**23,384**	
EQUITY AND LIABILITIES				
Credit from banking corporations and debentures			—	
Trade payables	8,820		8,820	
Other payables	1,159	459	1,618	3a
Short-term loans from related parties			—	
Provision for legal claims	311		311	
Total current liabilities	**10,290**	**459**	**10,749**	
Loans from banking corporations and debentures			—	
Long-term loans from related parties	20,217		20,217	
Other long-term liabilities	685		685	
Advances received from the terminal equipment Installation			—	
Employee benefit liabilities		165	165	3b
Deferred Taxes			—	
Total non-current liabilities	**20,902**	**165**	**21,067**	
Share capital	1,200		1,200	
Share premium			—	
Treasury shares			—	
Principal from share-based payment			—	
Retained earnings		(640)	(640)	
Accumulated profit(loss)	(9,008)	16	(8,992)	
Total equity	**(7,808)**	**(624)**	**(8,432)**	
TOTAL EQUITY AND LIABILITIES	**23,384**		**23,384**	

Notes to the Financial Information

World Satelitte Guadeloupe S.A., WSG (''The Company'') is a public limited liability Company (''Société Anonyme'') incorporated under French law. Its registered office is located 267, rue Robert Fulton 97122 Baie-Mahaut (Guadeloupe—France).

The Financial Information of WSG is prepared for the following periods (''**The Reporting Periods**''):

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WSG is owned at 99,99% subsidiary of Altice Blue One (''ABO''), which is wholly-owned by Altice VII.

This Financial Information was prepared under the responsibility of the management of WSG in the context of a contemplated bond issuance by Altice VII.

1. BASIS OF PREPARATION

1.1 Context of preparation

The following is a discussion of significant differences between French GAAP and EU IFRS as they relate to WSG financial statements and a reconciliation to EU IFRS of the balance sheet as of the end of the Reporting Periods and the profit and loss for the Reporting Periods then ended based on those differences identified which have a significant effect on the Company's profit for the period and equity.

The Financial Information for the Reporting Periods has been prepared in the context of a contemplated bond issuance and, as such, does not represent a complete set of financial statements with regard to EU IFRS. Under EU IFRS, only a complete set of financial statements comprising a balance sheet, an income statement, a statement of changes in equity and a cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the financial position, results of operations, and cash flows of a company in accordance with EU IFRS. Since the Financial Information does not conform to all the presentation and disclosure requirements of IFRS, such Financial Information cannot be considered as prepared in accordance with IFRS.

WSG has not undertaken a quantitative reconciliation of its financial statements from French GAAP to EU IFRS. Had WSG undertaken any such quantitative reconciliation, other potentially significant accounting and disclosure differences may have come to the attention of management, which are not identified herein. Accordingly, there can be no assurance that these are the only differences in accounting principles that would have an impact on the financial statement of WSG. In particular, the Financial Information has not been adjusted to reflect the proper reclassification of certain exceptional income and expense items that have been classified as ''extraordinary items'' under French GAAP.

As a result, the Financial Information shall not be construed as the first IFRS financial statements as defined in IFRS 1.

The IFRS Adjustments detailed below have been prepared as of the end of The Reporting Periods based on IFRS applicable as of that date. New standards either released by the IASB but not effective as of the end of the Reporting Periods, or currently developed by the IASB might significantly affect the financial statements of these entities. The IFRS Adjustments identified should not be construed as an analysis of the impact of such new standards and they should be reassessed upon the effective of any new standard.

Certain reclassifications have been made to the presentation we have adopted in our historical French GAAP financial statements to conform to the presentation for the Pro forma Financial Data. For clarity purposes, income statement items of in the French GAAP column herein is presented in a manner consistent with the presentation of the income statement items of the Pro forma Financial Data. For purposes of this reconciliation:

- ''Revenue'' corresponds in the income statement of WSG to ''Net sales''
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- ''Net Income'' corresponds in the income statement of WSG to ''Net income (loss) for the Period''

1.2 Going concern assumption

The going concern assumption is based on the financial support received from Altice Blue One which holds 99,99% % of WSG. This financial support has been granted in order to enable WSG to continue its business under normal condition until the Shareholders' meeting approves the financial statements of WSG as of December 31, 2013.

In the context of the contemplated bond issuance, Altice VII through its financing subsidiaries (Altice Financing S.A and Altice Finco S.A) will issue senior notes and a portion of the proceeds will be used to refinance the existing financial indebtedness of WSG.

2. EXPLANATORY NOTES

(1) Property, plant and equipment

Tangible assets are measured at their acquisition cost or production cost, less any accumulated amortization and impairment. Certain costs included in property, plant and equipment correspond to capitalized costs as they qualify for recognition as an asset.

Tangible assets are depreciated over a period comprised between 3 and 20 years, depending on the nature of related assets:

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Revenue is recognized and presented as follows, in accordance with IAS 18 Revenue (IAS 18):

- Revenues from subscriptions for basic cable services, digital TV pay, internet and telephony are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered.
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Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are not recognised as assets and the corresponding liability to the lessor is not recorded in the balance sheet as lease obligations, under financial debt.

The Company has not identified any contract that should be classified as a finance lease.

(4) Receivables and Payables

Receivables and payables are measured at their nominal value.

An allowance for impairment is recorded for trade receivables if their present value falls below their book value. Present value is determined based on the age of the receivables and the collectability risk.

(5) Provisions for Contingencies and Liabilities

- **General Considerations**

The Company records provisions for contingent liabilities which are defined as liabilities with no precise maturity date or amount. A liability is something that has negative economic value for the Company, as it represents the Company's obligation to a third party which will probably or certainly lead to the use of resources for the benefit of the third party, and for which no consideration is expected.

- **Provision for Litigation**

Disputes are provisioned on a case-by-case basis to reflect the associated risk. The Company estimates risk based on the assessments of its advisors.

- **Provision for Retirement Benefits**

The company participates in employee benefit plans through defined contribution plans, and defined benefit plans. The Group accounts for pension costs related to defined contribution plans as they are incurred within personnel expenses in the income statement.

Estimates of the company's pension and end of service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 *Employee Benefits* (IAS 19), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turn-over of beneficiaries, the increase of salary, the expected average life span and the probable future length of the employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in profit and loss when they are incurred.

(6) EBITDA

EBITDA corresponds to Earnings Before Interests Taxes Depreciation and Amortization. Depreciation on receivables is excluded from ''EBITDA'' and is recorded in the caption ''Other operating expenses'' in the profit and loss.

(7) Extraordinary costs / income

Reorganization costs and extraordinary items are considered as non-recurring and are recorded under the EBITDA.

(8) Management fees

ABO Management fees are recorded as ''General and Administrative'' expenses in the profit and loss. Altice VII management fees are recorded separately and excluded from the EBITDA.

(9) Intercompany transactions

Intercompany transactions are not eliminated in the Financial Information presented

3. IFRS ADJUSTMENTS IMPACTS

The nature of the adjustments between French Gaap and IFRS are:

*a. Recognition of Service Access fees (''**SAF**'')*

In accordance with IAS 18, service access fees for business clients when they only allow to access to the services and are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period.

Under IFRS, the revenue is decreased by the amount of deferred revenue. In the balance sheet, the deferred revenue is presented on the line ‘‘other payables’’.

b. Provision for Retirement Benefits

Provision for Retirement Benefits is not recorded in the financial statements prepared under French Gaap while they are under IFRS.

Under IFRS, the expense is booked as an ‘‘operating expense’’. In the balance sheet, the provision is presented on the line ‘‘Employee Benefit Liability’’.

c. Reclassification of exceptional items

Certain extraordinary income / charges that have been classified within ‘‘Net exceptional Items’’ in the income statement under French Gaap have been reclassified within ‘‘Operating Income’’ to conform to the presentation used for the Pro forma Financial Data