IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary offering memorandum (the "Offering Memorandum"), and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer (as defined in the Offering Memorandum) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES 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 STATE OF THE U.S. OR OTHER JURISDICTIONS AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) OR EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE ATTACHED OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE ATTACHED OFFERING MEMORANDUM IN A FORMAT THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view the attached Offering Memorandum or make an investment decision with respect to the securities described therein, you must: (i) not be a U.S. person (as defined in Regulation S under the U.S. Securities Act), and be outside the United States; provided that investors resident in a member state of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive European Economic Area), (ii) be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act). You have accessed the attached Offering Memorandum on the basis that you have confirmed to each of the initial purchasers set forth in the attached Offering Memorandum (collectively, the "Initial Purchasers"), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) you have not accessed the attached Offering Memorandum in the United States, its territories and possessions, any state of the United States or the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (and if you are resident in a member state of the European Economic Area, you are a qualified investor) or (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission.

The attached Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Initial Purchasers, any person who controls any Initial Purchaser, the Issuer or any of its respective subsidiaries or affiliates, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this Offering Memorandum to any other person. You will not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

The information in this preliminary Offering Memorandum is not complete and may be changed. This preliminary Offering Memorandum is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted, to any person or entity to whom it is unlawful to make that offer or sale.

Subject to Completion. Dated April 5, 2016

PRELIMINARY OFFERING MEMORANDUM

CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

SFR

$2,250,000,000 % Senior Secured Notes due 2026

issued by
NUMERICABLE-SFR S.A.

Numericable-SFR S.A., a public limited liability company (*société anonyme*) organized and established under the laws of France (the "Issuer"), is offering $2,250,000,000 aggregate principal amount of its % senior secured notes due 2026 (the "Notes"). The Issuer will pay interest on the Notes, semi-annually in cash in arrears on and of each year, commencing . The Notes will mature on , 2026.

The proceeds of this offering will be used as described under "*Use of Proceeds*".

At any time prior to , 2021, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a "make whole" premium plus accrued and unpaid interest, if any, to (but excluding) the redemption date. At any time prior to , 2019, the Issuer may redeem up to 40% of the Notes at a redemption price set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest, if any, to (but excluding) the redemption date. At any time on or after , 2021, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest, if any, to (but excluding) the redemption date.

Further, the Issuer may redeem all but not less than all of the Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date upon the occurrence of certain changes in tax law. Upon the occurrence of certain events constituting a change of control triggering event, as defined in the Indenture (as defined herein), the Issuer will be required to make an offer to repurchase all of the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but excluding) the date of purchase. The Issuer may be required to make an offer to purchase the Notes upon the sale of certain of its assets.

The Notes will be senior secured obligations of the Issuer. The Notes will be guaranteed on a senior basis (the "Guarantees") by the Guarantors (as defined herein) and will benefit from the Notes Collateral (as defined under "*Description of Notes—Notes Security*").

The Notes Collateral also secures, or will secure (either directly or indirectly by virtue of the Intercreditor Agreement (as defined herein)), the obligations of the Issuer and the Guarantors under the Existing Term Loans, the Existing Revolving Credit Facilities, the Existing Notes and certain hedging agreements. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from the Notes Collateral *pari passu* with the lenders under the Existing Term Loans and the Existing Revolving Credit Facilities, the holders of the Existing Notes and counterparties to certain hedging agreements subject to the terms thereof.

The security interests in the Notes Collateral may be released under certain circumstances. See "*Summary—The Offering*", "*Corporate and Financing Structure*" and "*Risk Factors—Risks Relating to the Notes and the Structure*".

There is currently no public market for the Notes. Application will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Euro MTF Market, which is not a regulated market (pursuant to the provisions of Directive 2004/39/EC). There is no assurance that the Notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 21 of this Offering Memorandum.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the laws of any other jurisdiction, and may not be offered or sold within the United States except in compliance with Rule 144A under the U.S. Securities Act ("Rule 144A"). In the United States, this offering is being made only to "qualified institutional buyers" (as defined in Rule 144A) in compliance with Rule 144A. You are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, this offering is being made to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). Please see "*Notice to Investors*" for additional information about eligible offerees and transfer restrictions.

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

Notes price: % plus accrued interest from the Issue Date

Joint Bookrunners

J.P. Morgan **BNP PARIBAS** **Deutsche Bank**

Barclays **BofA Merrill Lynch** **Crédit Agricole CIB** **Goldman Sachs International** **Morgan Stanley**

The date of this Offering Memorandum is , 2016

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Neither the 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.

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

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

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

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

The Issuer is offering the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of 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 Notes (i) to U.S. investors that the Issuer reasonably believes to be qualified institutional buyers as defined in Rule 144A, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S. Its use for any other purpose is not authorized. This Offering Memorandum may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents be disclosed to anyone other than the qualified institutional buyers described in (i) above or to persons considering a purchase of the Notes in offshore transactions described in (ii) above and, in each case, any advisors to such persons in connection with this offering.

This Offering Memorandum is for distribution 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 (the "FSMA")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). 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 Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC as amended (the "EU Prospectus Directive"), as implemented in member states of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the Notes contemplated in this Offering Memorandum.

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

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

You are not to construe the contents of 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 Notes. You are responsible for making your own examination of the Issuer and the Group and your own assessment of the merits and risks of investing in the Notes. The Issuer is not, and the Initial Purchasers and the Trustee, and their respective agents, are not making any representation to you regarding the legality of an investment in the Notes by you.

The information contained in this Offering Memorandum has been furnished by the Issuer and other sources it believes 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, as to the past or future. This Offering Memorandum contains summaries, believed by the Issuer to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by the Issuer upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the Notes will also be available for inspection upon request at the specified offices of the Issuer. All summaries of the documents contained herein are qualified in their entirety by this reference.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer 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 Notes are true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, and that it is 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.

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 Issuer, the Initial Purchasers, the Trustee or their respective agents. 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 Issuer’s or the Group’s affairs since the date of this Offering Memorandum.

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

The information set forth in relation to sections of this Offering Memorandum describing clearing arrangements, including the section entitled “*Book-Entry, Delivery and Form*”, is subject to any change in, or reinterpretation of, the rules, regulations and procedures of DTC currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning DTC, it accepts no further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

The distribution of this Offering Memorandum and the offer and sale of the Notes may be restricted by law in some jurisdictions. Please see "*Notice to U.S. Investors*", "*Notice to Investors in France*", "*Notice to Luxembourg Investors*", "*Notice to U.K. Investors*" and "*Notice to Investors in Canada*". 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 Notes. See "*Plan of Distribution*" and "*Notice to Investors*".

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

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this Offering Memorandum will be issued in the form of one or more global notes, which will be deposited and registered in the name of the nominee of a common depositary for DTC. Beneficial interests in the global notes will be shown on, and transfers of the global notes will be effected only through, records maintained by DTC and its respective participants (including Euroclear SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream")). After the initial issuance of the global notes, notes in certificated form will be issued in exchange for the global notes only in the limited circumstances as set forth in the Indenture. Please see "*Book-Entry, Delivery and Form*".

NOTICE TO U.S. INVESTORS

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "*Notice to Investors*". The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*". The 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 INVESTORS IN FRANCE

This Offering Memorandum has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the "AMF") and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and neither this Offering Memorandum nor any other offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

Offers and sales of the Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restraint d'investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L.411 and D.411-1 of the *Code monétaire et financier*. Neither this Offering Memorandum nor any other offering material may be distributed to the public in France.

Pursuant to Article 211-3 of the *Règlement Général* of the AMF, prospective investors are informed that:

(i) this Offering Memorandum has not been, and will not be, submitted to the AMF for clearance;

(ii) qualified investors (*investisseurs qualifiés*) referred to in Article L. 411-2-II-2 of the French *Code monétaire et financier* may participate in this offering for their own account, as provided in particular under Articles L.411-1 and D. 411-1 to D. 411-3 of the French *Code monétaire et financier*; and

(iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*.

NOTICE TO U.K. INVESTORS

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 Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FMSA) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). 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. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

NOTICE TO LUXEMBOURG INVESTORS

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

NOTICE TO INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchasers by us, any related amendment or supplement to this Offering Memorandum. For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act of 1934, as amended (the "U.S. Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer at the registered office of the Issuer, 1 square Béla Bartók, 75015 Paris, France. Copies of the Indenture governing the Notes, the forms of the Notes and the Intercreditor Agreement will be made available upon request to the Paying Agent or to the Issuer at the address above.

The Issuer is not currently, and will not be, subject to the periodic reporting and other information requirements of the U.S. Exchange Act. Pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, the Issuer will furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*".

SUBSCRIBER, INDUSTRY AND MARKET DATA

Key Performance Indicators

This Offering Memorandum includes information relating to certain key performance indicators of the Group (as defined herein), including, among others, number of homes passed, subscribers and ARPUs, which the Group's management uses to track the financial and operating performance of its businesses. In each case, none of these terms are measures of financial performance under IFRS (as defined herein), nor have these measures been audited or reviewed by an auditor, consultant or expert. All of the measures relating to the Group are derived from the internal operating systems of the Group. As defined by the Group, these terms may not be directly comparable to corresponding or similar terms used by competitors or other companies. We have included certain aggregated operating data as of and for the year ended December 31, 2013 and certain *pro forma* operating data as of and for the year ended December 31, 2014, which presents such operating data as if the SFR Acquisition (SFR, SIG 50 and their subsidiaries, including Telindus, acquired by SFR on April 30, 2014) and the Virgin Mobile Acquisition (Omer Telecom Limited and its subsidiaries) had occurred on January 1, 2013 or January 1, 2014, as applicable. Please refer to the meanings of these terms as defined by the Group included elsewhere in this Offering Memorandum.

Market and Industry Data

This Offering Memorandum contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Issuer has generally obtained the market and competitive position data in this Offering Memorandum from industry publications and from surveys or studies conducted by third party sources that it believes to be reliable, including a market study commissioned by the Group in connection with the SFR Acquisition from an international management consulting firm. Nonetheless, the Issuer cannot assure you of the accuracy and completeness of such information, and the Issuer has not independently verified such market and position data. The Issuer does, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases, the Issuer has made statements in this Offering Memorandum regarding the Group's industry and position in the industry based on the Issuer's experience and its own investigation of market conditions. Internal analyses, surveys or information, which the Issuer believes to be reliable, have not been verified by any independent sources and the Issuer cannot assure you that any of these assumptions are accurate or correctly reflect the Group's position in the industry. Neither the Issuer nor any of the Initial Purchasers make any representation as to the accuracy of such information.

Certain monetary amounts, percentages and other figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

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 products, acquisitions, dispositions and finance strategies, our capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our markets, anticipated cost increases, synergies, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "project", "should", and "will" and similar words used in 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 the Group's 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 the Group operates. The Issuer cautions readers not to place undue reliance on the statements, which speak only as of the date of this Offering Memorandum, and it expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statement contained herein, to reflect any change in its 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, the Group expresses 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:

- the highly competitive nature of the Group's industries;
- the deployment of fiber and/or VDSL2 networks and/or new generation mobile networks by the Group's competitors;
- the economic environment in France;
- product quality issues;
- customer churn;
- market acceptance of new product introductions and product innovations;
- the Group's response to technological developments;
- the Group's reliance on third-party software, including open-source software;
- intellectual property infringement claims by patent trolls;
- the Group's ability to integrate acquired businesses and realize planned synergy benefits;
- the Group's ability to manage four different networks (cable, FTTH, as well as mobile and DSL);
- decline in revenue from certain services and the inability of the Group to offset this decline;
- pressure on customer service;
- adverse developments in the Group's relationships with program providers and broadcasters;
- risks related to services and products provided by third parties;
- risks related to the proper functioning of the Group's IT infrastructure, including risks related to piracy and hacking;

- the risk that the Group's reputation and business could be materially harmed as a result of data breaches, unauthorized access or successful hacking or piracy;
- risks related to the Group's capital expenditures;
- strikes and other labor disruptions;
- the risk that the Group may not be able to protect its image, reputation and brands;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- risks related to the Group's external growth strategy;
- perceived or actual health risks and other environmental requirements relating to mobile operations;
- employee misconduct and consumer fraud;
- risks associated with the Group's significant leverage and the restrictions imposed by its debt instruments;
- risks related to the inability to generate sufficient cash flows to service its debt;
- risks related to the fact that a substantial amount of the Group's indebtedness will mature before the Notes;
- fluctuations in currency exchange rate, inflation and interest rates;
- the impact of restrictive covenants under the Group's debt instruments on its ability to operate its business;
- risks relating to the ability of the Group to incur significant additional amounts of debt;
- negative changes to the Group's credit rating;
- the fact that the Group operates in a highly regulated industry, and the risk of unfavorable changes to, or interpretations of, the tax laws and regulations applicable to the Group;
- the complex legal status of the ownership of the Group's network;
- adverse outcomes in the various legal, administrative and regulatory proceedings, including tax audits and proceedings, in which the Group is a party;
- risks related to the fact that the Group is currently and could in the future be party to or be directly or indirectly involved in litigation, administrative and regulatory proceedings, including tax audits and proceedings, that could have a material adverse effect on its results of operations and financial condition;
- introduction into French law of a class action open to consumer protection associations;
- measures the Group is subject to related to protection of confidentiality and data security;
- the risk that the Group may not be able fully to utilize its deferred tax assets
- the Group's dependence on its intellectual property rights, which may not be adequately protected;
- reliance of the Group on licenses and authorizations necessary for performance of its activities;
- the ability of the Group to maintain joint arrangements with other players in the telecommunications field;
- the Group's dependence on its national distribution network;
- possible conflicts of interests of the Group and those of its controlling shareholder; and
- the other factors described in more detail under "*Risk Factors*".

The cable television, broadband internet access, fixed line telephony, mobile services, ISP services, B2B and wholesale industries are changing rapidly and, therefore, the forward looking statements of expectations, plans and intent in this Offering Memorandum are subject to a significant degree of risk.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward looking statements that the Group or persons acting on its behalf may issue. The Issuer does 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.

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

This list of factors that may affect future performance and the accuracy of forward looking statements is illustrative, but by no means exhaustive, and should be read in conjunction with other factors that are included in this Offering Memorandum. See "*Risk Factors*" along with sections of this Offering Memorandum titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*", "*Industry, Competition and Market Overview*" and "*Business of the Group*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which the Group operates. All forward looking statements should be evaluated in light of their inherent uncertainty.

The Group operates in a competitive and rapidly changing environment. New risks, uncertainties and other factors may emerge that may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, you should not place undue reliance on forward looking statements as a prediction of actual results. Except as required by law or the rules and regulations of any stock exchange on which its securities are listed, the Issuer expressly disclaims any obligation or undertakings to release publicly any updates or revisions to any forward looking statements contained in this Offering Memorandum to reflect any change in its expectations or any change in events, conditions or circumstances on which any forward looking statement contained in this Offering Memorandum is based.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

Financial Statements Presented

Historical Financial Information of the Group

The Issuer (Numericable-SFR S.A.) was formed on August 2, 2013 and Ypso Holding S.à r.l. and its subsidiaries and Altice B2B Lux Holding S.à r.l. and its subsidiaries were contributed on November 7, 2013 to the Issuer. On November 27, 2014, the Group consummated the SFR Acquisition and the financial position and results of operations of SFR are consolidated in the financial statements of the Issuer from such date. On December 5, 2014, the Group consummated the Virgin Mobile Acquisition and the financial position and results of operations of Virgin Mobile are consolidated in the financial statements of the Issuer from such date.

This Offering Memorandum includes an English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2015 (which include restated comparative figures as of and for the year ended December 31, 2014, as described below) and an English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2014 (which include comparative figures as of and for the year ended December 31, 2013). These consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union and have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG S.A. The audited consolidated financial statements of the Issuer are referred to herein as the "Historical Financial Information of the Group".

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements are disclosed in our audited consolidated financial statements.

To improve its financial reporting and ensure consistency of presentation of financial statements with certain of its affiliate companies, the Issuer has changed the presentation of its financial statements and made a number of other changes in its accounting methods and management rules, as well as to give effect to the finalization of the purchase price relating to the SFR Acquisition and the Virgin Mobile Acquisition, with effect from the year ended December 31, 2015. See Note 1 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015. Comparative figures as of and for the year ended December 31, 2014 included in the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 were restated from figures presented in the previously published Issuer's audited consolidated financial statements as of and for the year ended December 31, 2014 to reflect the abovementioned changes. Note 38 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 includes a reconciliation between the previously published figures and the restated figures and a description of the changes made with respect to the financial information as of and for the year ended December 31, 2014.

In addition, in order to aid comparability of financial information with previous periods, for the purposes of the sections "*Summary Financial Information and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*", the Issuer has presented financial information as of and for the year ended December 31, 2013 taking into account the abovementioned presentational changes but excluding changes to accounting methods and management rules. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Historical consolidated statement of financial position of the Group for the years ended December 31, 2015, 2014 and 2013*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Analysis of Historical Results for the Years Ended December 31, 2013 and 2014*". The financial information as of and for the years ended December 31, 2013 and 2014 restated as described above is herein referred to as the "Restated Information".

Certain Pre-Acquisition Historical Financial Information of SFR

This Offering Memorandum includes English language translations of the pre-acquisition audited combined financial statements of SFR as of and for the years ended December 31, 2013, 2012 and

2011, which have been audited by KPMG Audit, a department of KPMG S.A. and Ernst & Young, referred to as the "Historical Financial Statements of SFR". In addition, certain pre-acquisition combined financial information of SFR for the 11 months ended November 30, 2014, prior to its acquisition by the Issuer can be derived from Note 39 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015. The Historical Financial Statements of SFR include SFR, SIG 50 and their subsidiaries which were transferred from Vivendi to the Group on November 27, 2014.

The Historical Financial Statements of SFR were prepared in accordance with IFRS that required the management of SFR to take into account the estimates and assumptions that could affect the book value of certain assets and liabilities and charges of SFR, as well as the information given in the appended notes.

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

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

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

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

Non-IFRS Financial Measures

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

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;

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

In addition, as a result of the significant acquisitions that have been consummated by the Issuer in 2014 and the intra-year timing of such acquisitions, the Historical Financial Information of the Group for the years ended December 31, 2013 and 2014 does not reflect the full-year results of operations of the entire business undertaking of the Group as it currently exists and the comparability of the Historical Financial Information of the Group over each of the periods presented may be significantly limited. Consequently, in order to present a meaningful comparison of the financial conditions and results of operations of the Issuer, in the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*" we have included certain *pro forma* information of the Issuer for the year ended December 31, 2014, taking into account the abovementioned changes in presentation, and to give effect to the finalization of the purchase price relating to the SFR Acquisition and the Virgin Mobile Acquisition as well as changes to accounting methods, but excluding changes to management rules described above, giving effect to the SFR Acquisition and the Virgin Mobile Acquisition as if such acquisitions had occurred on January 1, 2014. The *pro forma* information of the Issuer for the year ended December 31, 2014 has been derived from Note 39 to the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.

The above-mentioned *pro forma* financial information included in this Offering Memorandum have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive or any generally accepted accounting standards.

The *pro forma* financial information included in this Offering Memorandum and their respective adjustments, among other things:

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

The Historical Financial Information of the Group and the *pro forma* financial information mentioned above do not indicate results that may be expected for any future period.

Certain Adjusted Financial Information

This Offering Memorandum also 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 financial data as adjusted to reflect the effect of the Transactions on the Group's indebtedness as if the Transactions had occurred on December 31, 2015. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group's indebtedness would have been had the Transactions occurred on such dates, nor does it purport to project the Group's indebtedness or cash interest expense at any future date. This 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 or review standards.

In making an investment decision, you must rely upon your own examination of the terms of this offering and the financial information contained in this Offering Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in this Offering Memorandum.

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 Offering Memorandum to "€" are to euro and "$" are to U.S. dollars.

CERTAIN DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms "Group", "we", "us" and "our" as used in this Offering Memorandum refers to the Issuer and its subsidiaries (i) excluding SFR, prior to November 27, 2014, and Virgin Mobile, prior to December 5, 2014 and (ii) including SFR and Virgin Mobile, following the consolidation of each of those entities into the Group on November 27, 2014 and December 5, 2014, respectively. Definitions of certain terms and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see "*Glossary*" on page G-1 of this Offering Memorandum.

"Altice"	Altice N.V. (formerly known as Altice S.A.), a public company with limited liability (*naamloze vennootschap*) incorporated and existing under the laws of The Netherlands, registered with the Dutch Trade Registry under number 63329743 and having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, and its subsidiaries, unless the context otherwise requires.
"Altice B2B France"	Altice B2B France S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 499 662 757 RCS Paris.
"Altice France"	Altice France S.A., (formerly known as Altice Six S.A.), a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B 135 296, having its registered office at 3, boulevard royal, L-2449 Luxembourg.
"Altice France Bis"	Altice France Bis S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B 196.532, having its registered office at 3, boulevard royal, L-2449 Luxembourg.
"ARCEP"	the *Autorité de Régulation des Communications Electroniques et des Postes*, the French regulatory authority for electronic and postal communications.
"Completel"	Completel S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 418 299 699 RCS Nanterre, through which we provide wholesale voice, data and internet-related services to corporate clients, telecommunication operators and public authorities.
"ERISA"	the U.S. Employee Retirement Income Security Act of 1974, as amended.
"EU"	the European Union.
"euro", "EUR" or "€"	the euro, the currency of the EU member states participating in the European Monetary Union.
"European Economic Area"	the trading area established by the European Economic Area Agreement of January 1, 1994, comprising the member states of the EU (currently, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) and Norway, Iceland and Liechtenstein.

"Existing 2019 Notes"	the $2,400,000,000 aggregate principal amount of 4$^{7}/_{8}$% Senior Secured Notes due 2019, issued by the Issuer on May 8, 2014, a portion of which is expected to be refinanced using the proceeds of the offering of the Notes.
"Existing 2022 Dollar Notes"	the $4,000,000,000 aggregate principal amount of 6% Senior Secured Notes due 2022, issued by the Issuer on May 8, 2014.
"Existing 2022 Euro Notes"	the €1,000,000,000 aggregate principal amount of 5$^{3}/_{8}$% Senior Secured Notes due 2022, issued by the Issuer on May 8, 2014.
"Existing 2022 Notes"	collectively, the Existing 2022 Dollar Notes and the Existing 2022 Euro Notes.
"Existing 2024 Dollar Notes"	the $1,375,000,000 aggregate principal amount of 6$^{1}/_{4}$% Senior Secured Notes due 2024, issued by the Issuer on May 8, 2014.
"Existing 2024 Euro Notes"	the €1,250,000,000 aggregate principal amount of 5$^{5}/_{8}$% Senior Secured Notes due 2024, issued by the Issuer on May 8, 2014.
"Existing 2024 Notes"	collectively, the Existing 2024 Dollar Notes and the Existing 2024 Euro Notes.
"Existing Dollar Notes"	collectively, the Existing 2019 Notes, the Existing 2022 Dollar Notes and the Existing 2024 Dollar Notes.
"Existing Euro Notes"	collectively, the Existing 2022 Euro Notes and the Existing 2024 Euro Notes.
"Existing Indebtedness"	the Existing Notes, the Existing Revolving Credit Facilities and the Existing Term Loans, collectively.
"Existing Notes"	the Existing 2022 Notes and the Existing 2024 Notes.
"Existing Notes Indentures"	collectively, the indentures governing the Existing Notes, each dated May 8, 2014, among, *inter alios*, the Issuer, as issuer and Deutsche Bank AG, London Branch, as trustee, as amended, restated, supplemented or otherwise modified from time to time.
"Existing Revolving Credit Facilities"	the revolving credit facilities made available under the Existing Revolving Credit Facilities Agreement.
"Existing Revolving Credit Facilities Agreement"	the revolving credit facilities agreement, dated on or about May 8, 2014, among, *inter alios*, the Issuer and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.
"Existing Term Loans"	the various term loans established under the Existing Term Loans Agreement. See "*Description of Other Indebtedness—Existing Term Loans*" for further information.
"Existing Term Loans Agreement"	the term loan agreement, dated May 8, 2014, among, *inter alios*, the Issuer, Ypso France S.A.S. and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto and Deutsche Bank AG, London Branch as facility agent and security agent, as supplemented by way of the incremental loan assumption agreements dated July 20, 2015 and October 14, 2015 between the Issuer and Numericable U.S. LLC, as borrowers and Deutsche Bank AG, London Branch, as administrative agent, and as further amended, restated, supplemented or otherwise modified from time to time.
"Guarantees"	as defined and described under "*Summary—The Offering—Guarantees*".

"Guarantors"	as defined and described under "*Summary—The Offering—Guarantees*".
"IFRS"	International Financial Reporting Standards as adopted by the European Union.
"Indenture"	the indenture, to be entered into on or about the Issue Date, governing the Notes offered hereby, among, *inter alios*, the Issuer, the Trustee and the Security Agent.
"Initial Purchasers"	J.P. Morgan Securities LLC, Merrill Lynch International, BNP Paribas, Barclays Bank PLC, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Securities Inc., Goldman Sachs International, Morgan Stanley & Co. International plc.
"Intercreditor Agreement"	the intercreditor agreement dated on or about May 8, 2014, among, *inter alios*, the Issuer and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.
"Issue Date"	, 2016.
"Issuer"	Numericable-SFR S.A., a French corporation incorporated as a *société anonyme* under sole identification number 794 661 470 RCS Paris.
"NC Numericable"	NC Numericable S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 400 461 950 RCS Meaux and one of our operating subsidiaries.
"Notes"	the $2,250,000,000 aggregate principal amount of % senior secured notes due 2026 offered hereby.
"Notes Collateral"	as defined and described under "*Description of Notes—Notes Security*".
"Notes Collateral Documents"	the security documents under which the security interests over the Notes Collateral has been or will be created.
"Numericable U.S. LLC"	Numericable U.S. LLC, a Delaware limited liability company, having its registered office at 901 N. Market St, Suite 705, Wilmington, County of New Castle, Delaware 19801, United States.
"Numericable U.S. S.A.S"	Numericable U.S. S.A.S, a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 801 376 161 RCS Paris.
"Omer Telecom"	Omer Telecom Limited, a private limited company registered with the Register of Companies in England and Wales under number 05721373.
"Paying Agent"	Deutsche Bank Trust Company Americas.
"RCF Refinancing"	as defined and described under "*The Transactions*".
"Registrar"	Deutsche Bank Trust Company Americas.
"Security Agent"	Deutsche Bank AG, London Branch.
"SFR"	Société Française du Radiotéléphone—SFR S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 343 059 564 RCS Paris, and, as the context requires, its subsidiaries.
"SFR Acquisition"	the acquisition by the Group of SFR and certain of its subsidiaries on November 27, 2014.
"SIG 50"	Société d'Investissement et de Gestion 50—SIG 50 S.A., a French corporation incorporated as a *société anonyme*, registered under the identification number 421 345 026 Paris and its subsidiaries.

"Transactions"	as defined and described under "*The Transactions*".
"Transfer Agent"	Deutsche Bank Trust Company Americas.
"Trustee"	Deutsche Bank Trust Company Americas.
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
"U.S. dollars", "dollars", "U.S.$" or "$"	the lawful currency of the United States.
"U.S. GAAP"	generally accepted accounting principles in the United States.
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
"Virgin Mobile"	Omer Telecom Limited, the holding company for the group operating in France under the Virgin Mobile brand, and its subsidiaries acquired by the Group pursuant to the Virgin Mobile Acquisition.
"Virgin Mobile Acquisition"	the acquisition on December 5, 2014 by the Group of Omer Telecom and its subsidiaries, the holding company for the group operating in France under the Virgin Mobile brand.
"Vivendi"	Vivendi S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 343 134 763 RCS Paris.
"Ypso Finance"	Ypso Finance S.à r.l, a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of Luxembourg, having its registered office at 121, rue de la Faiencerie, L-1511 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B161946.
"Ypso France"	Ypso France S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 484 348 131 RCS Meaux.
"Ypso Holding"	Ypso Holding S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of Luxembourg, having its registered office at 3, Boulevard Royal, L-2449 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B110644.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. 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 Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

	U.S. dollars per €1.00			
	Average(1)	High	Low	Period End
Year				
2012	1.2909	1.3458	1.2061	1.3192
2013	1.3300	1.3804	1.2780	1.3743
2014	1.3207	1.3932	1.2098	1.2098
2015	1.1031	1.2103	1.0497	1.0856
Month				
January 2016	1.0867	1.0940	1.0747	1.0832
February 2016	1.1104	1.1324	1.0873	1.0873
March 2016	1.1142	1.1380	1.0868	1.1380
April 2016 (through April 4, 2016)	1.1390	1.1392	1.1388	1.1392

(1) "Average" means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages.

SUMMARY

The summary below highlights information contained elsewhere in this Offering Memorandum. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire Offering Memorandum carefully, including the "Risk Factors" and the financial statements and notes thereto, an English language translation of which is included in this Offering Memorandum. In this section, references to the "Group" are to the Issuer and its subsidiaries as of the date of this Offering Memorandum. Please see page G-1 of this Offering Memorandum for a glossary of technical terms used in this Offering Memorandum.

The Group

The Group is the second largest telecommunications operator and the leading alternative operator in France by revenues and number of subscribers. The Group was created through the acquisition by the Issuer, previously France's sole major cable operator, of SFR, France's leading alternative mobile services provider, which occurred on November 27, 2014. The Group has major positions in all segments of the French telecommunications market, including B2C, B2B, local authorities and Wholesale, and offers a full range of broadband internet access, fixed-line and mobile telephony and audiovisual services through its leading fiber and mobile networks. As of December 31, 2015, the Group had approximately 15.1 million mobile subscribers and 6.3 million households with broadband subscriptions, compared to 16.2 million subscribers and 6.6 million households as of December 31, 2014. The Group generated revenues of €11,039 million and Adjusted EBITDA of €3,860 million for the year ended December 31, 2015 compared to revenues of €2,170 million and Adjusted EBITDA €708 million for the year ended December 31, 2014 (which includes one month of the operating results of SFR and Virgin Mobile).

In the B2C segment, the Group operates under the Numericable, SFR, Red and Virgin Mobile brands. In the B2B segment, it operates under the SFR Business brand, serving more than 190,000 companies in France. The Group owns and operates an extensive mobile network and aims to rapidly expand its 4G mobile coverage and its high speed fiber broadband coverage to as much of the French population as possible. The Group has a state-of-the-art fiber infrastructure, consisting of 50,000 kilometers of optical fiber lines and more than 160 metropolitan loops and 320 Optical Distribution Networks. Following the consolidation of SFR, the Group has benefited from network and operational synergies and other synergies that have allowed it to reallocate investment expenses in order to accelerate its investments in rolling out its fiber network. This has enabled the Group to support the innovation of products and services to better respond to the growing demand for very-high-speed and next generation services.

B2C fixed-line market. As of December 31, 2015, the Group's fixed-line subscriber base passed 9.3 million households of which 7.7 million households are fiber enabled, compared to 9.0 million households and 6.5 million households as of December 31, 2014, respectively. While the ADSL subscriber base decreased by 9.8% in 2015 to 4.5 million subscribers as of December 31, 2015, the very-high-speed subscriber base (which is defined by ARCEP as broadband with above 30 Mbps speed capability) grew 17.2% over the same period, reaching 1.8 million subscribers, making the Group a market leader in the French very-high-speed market. The Group aims to expand its fiber footprint to 22 million homes passed by 2022. The Group is able to upsell its existing DSL subscribers with cable broadband offers due to the overlapping cable and DSL networks acquired as a result of the SFR Acquisition and, moreover, the natural churn rate of broadband subscribers draws its existing DSL subscribers to the Group's cable and fiber products. This shifting of subscribers away from DSL has allowed, and is expected to continue to allow, the Group to reallocate investment expenses previously earmarked for DSL infrastructure to accelerating the rollout of its fiber network.

B2C mobile telephony market. The Group is the second-largest operator of mobile telephony in France by number of subscribers, with 15.1 million B2C subscribers as of December 31, 2015, compared to 16.2 million subscribers as of December 31, 2014. The number of subscribers decreased 6.8% in 2015 due to a highly competitive market. Due to its strong market position in the mobile telephony segment, the Group is one of the primary convergence operators in France with an attractive "quadruple-play" offer (consisting of pay-TV products, access to high speed internet, fixed telephony and mobile services). The Group also considers its SFR brand, which has been present in France for more than 25 years, to be known for the reliability of its network and for the quality of its customer service. As of December 31, 2015, the Group has access to a mobile network covering 64%

of the population of metropolitan France with its 4G network and more than 96% of the population of metropolitan France with its 3G network. The Group aims to expand its 4G network coverage to 99% of the French population by 2020.

B2B market. In the B2B segment, the Group operates through its SFR Business brand and is the largest alternative operator to the incumbent in France serving over 190,000 companies. The Group benefits from strong customer relationships and has the ability to respond to the growing demand of medium-sized businesses for increasingly sophisticated voice and data services. The Group offers data services, including IP VPN services (virtual private network on IP), LAN to LAN (local network), internet, security services, hosting and "cloud computing," mobile telephony services and voice services, in particular voice call services, VoIP and Centrex. The Group benefits from an extensive combined fiber and DSL network in France.

Wholesale market. In the Wholesale segment, the Group is the largest national alternative player by revenues and number of subscribers, offering wholesale connectivity services for fixed-line and mobile voice calls, wholesale connectivity services for data, wholesale fiber infrastructure services as well as triple-play DSL white label packages and very-high-speed offers. The Group offers a broad portfolio of products with a significant base of national and international operators. It is the main competitive alternative to the incumbent provider, addressing the entire spectrum of the wholesale market in France and providing services to local, national and virtual operators, as well as to international operators in France.

Competitive Strengths

The Group believes it benefits from the following strengths:

Leading alternative operator with strong market positions in all segments of an attractive telecommunications market

France is the third largest telecommunications market in Europe, with consumer spending of approximately €40 billion in 2015 (Source: Paul Budde Communication Pty Ltd, www.budde.com.au; 2015 annual earnings releases). Despite growth in market size, the French telecommunications market has recently declined in value primarily due to price pressure in the mobile market following the arrival of a fourth player in 2012 and the decline in regulated call termination rates. The Group however has large market shares across all main segments of the French telecommunications market, thereby acting as the main competitor of the incumbent operator. With revenues of €11,039 million for the year ended December 31, 2015, the Group is the largest alternative telecommunications operator in Europe.

The Group has operations in the B2C, B2B and Wholesale segments and offers a full range of services to its subscribers, including premium internet access, mobile telephony and content products.

Fixed-line B2C market. France is one of the largest European markets for high and very-high-speed internet access, with approximately 26.9 million high- and very-high-speed fixed-line subscriptions as of December 31, 2015 (source: ARCEP).The high and very-high-speed fixed-line market has experienced strong growth in recent years, due to an increasing household coverage, which has led to a 3.4% increase in subscribers during the year ended December 31, 2015 (source: ARCEP). The Group is the second largest operator in the high- and very-high-speed fixed-line market, with 6.4 million fixed-line high-speed and very-high- speed subscribers, which together represent approximately 23.6% of the total market for fixed-line high- and very-high-speed internet access (source: Group's estimates based on ARCEP data) and is the market leader in the very-high-speed segment in France, with 1.8 million subscribers, representing, as of December 31, 2015, 41.9% of the 4.3 million very-high-speed fixed broadband lines in France (source: Group's estimates based on ARCEP data). For the year ended December 31, 2015, France still had a relatively low penetration rate in the fast growing very-high-speed segment (which includes cable and fiber to the premises), with just 15.9% of total broadband connections being very-high-speed connections according to ARCEP. This compares to an average of 28.0% of cable and fiber to the premises consumer internet access in Western Europe and to 59.2% in Belgium and 64.1% in the Netherlands, two countries with high cable penetration rates (Source: IDC). IDC forecasts that very-high-speed internet connections (cable and fiber to the premises) in France will grow at a compound annual growth rate of 35% between 2015 and 2018 to reach 34% of total consumer internet connections by 2018. The Group believes that it is well positioned to benefit from this growth. The Group takes advantage of its high-quality fixed-line network, and the brand image and distribution capacities of SFR, to meet the growing demand for speed and bandwidth, with "multi-play" offers at competitive prices in the fixed-line B2C market.

Mobile B2C market. The Group, through its SFR brand, is the second largest mobile telephony operator in France, with 15.1 million B2C subscribers as of December 31, 2015 compared to 16.2 million B2C subscribers as of December 31, 2014 (source: Group's estimates). The French B2C mobile market was disrupted by the entry of a fourth mobile operator in January 2012, which increased the overall level of competition in the market and placed significant pressure on ARPUs. After strong price decreases in 2013 and 2014, which resulted in mobile post-paid prices in France being among the lowest in Europe, price pressure eased in 2015. The French B2C mobile market is divided between (i) premium offers targeting subscribers seeking access to subsidized handsets, physical distribution, customer care, value added services and content, (ii) no-frills offers targeting more cost-conscious, SIM-only, self-care subscribers and (iii) a decreasing proportion of prepaid subscribers. The Group targets the premium post-paid subscription market with its "*Formules Carré*" offers, the basic subscription mobile telephony market with its "RED" offers and the prepaid market with an offer of a prepaid range at attractive prices, under the "*SFR La Carte*" offering. As of December 31, 2015, more than 83% of the Group's subscribers in the B2C mobile telephony market had post-paid subscription offers. The combination of the very-high-speed cable/fiber network of the Group and its 3G+ and advanced 4G networks allows the Group to offer attractive flat rate quadruple-play packages, which meet the growing demand for speed and bandwidth coming from multi-screen households, for usage both in and outside the home.

Pay-TV. The French television market is one of the largest in Europe. The Group provides its subscribers with premium content, including a large choice of high-definition channels, catch-up TV channels, the largest catalog of VOD content in France (through its recently-launched "Zive premieres" service), integrated OTT video services and innovative social media applications. The Group has acquired exclusive rights to broadcast and distribute premium sports events, including England's Barclays Premier League, French National Basketball games, ski world championship events and Rugby Premier League fixtures. The Group believes that its high-quality pay-TV content programming is an important differentiating factor in its offering of bundled and convergent products.

B2B market. The French B2B telecommunications market has undergone a structural change in recent years, with traditional switched voice services decreasing and VoIP and data services increasing in number and complexity. In particular, the data service needs of medium-sized businesses have changed and are now more bandwidth-intensive and complex. Subscribers' need for high speeds favors players with strong network coverage, such as the Group, due to its dense capillary network comprised of approximately 160 metropolitan loops and its direct fiber connection from its network to the main sites of its subscribers, which provides them with symmetrical high speeds and reliable service. In line with evolving market needs, the Group has also developed leading data solutions, among others "infrastructure as a service" and IP VPN services. The Group is a leading operator in the B2B market next to the incumbent operator. The Group is continuing to take advantage of its commercial network and sales force to increase its market share in this segment and target adjacent market segments such as cloud computing services and machine to machine ("M2M") communications.

Wholesale market. In the wholesale telecommunications market, the Group is able to provide solutions at attractive prices for the short-term needs of operators through its extensive network and can obtain attractive margins by leveraging its cost structure. These solutions include selling fiber connections and circuits to international or local operators with sub-networks in France, leasing indefeasible rights of use ("IRUs") and bandwidth capacity on its network and selling point-to-point connections to other national operators including radio transit sites for the roll-out of 3G and 4G. The Group expects growth in these sectors due to increasing worldwide data traffic, the migration of existing technologies towards Ethernet and fiber technologies, increasing demand for greater bandwidth and building of more antennas in connection with the roll-out of 4G coverage by operators. The Group is a leading operator next to the incumbent operator in both mobile and wholesale telephony segments due to its significant wholesale capabilities in the fiber sector (source: Group's estimates). The Group has relationships with incumbent operators of French mobile virtual network operators ("MVNOs") (such as La Poste Mobile, NRJ Mobile) and fixed-line voice network operators (such as Bouygues Telecom), as well as with leading international players. The Group also intends to continue to promote its reactive and adapted wholesale offers in order to fully take advantage of its network infrastructure and maximize return on its network assets.

Network competitive advantage in each of our markets, combining highly complementary state of the art fixed and mobile networks

The Group believes that it benefits from a fixed network advantage in the French market. Based on the current infrastructure of operators in the telecommunication industry, the Group's network is the only end-to-end alternative central network in France to have a local loop infrastructure and is supplemented by its DSL presence and its interurban fiber network. This highly advanced fiber network provides high download speeds and is supported by a powerful backbone. In the B2C segment, the Group has the largest fiber network in France, passing more than 7.7 million homes via fiber (which provides broadband speeds of 100 Mbit/s and higher) as of December 31, 2015 compared to 6.5 million households as of December 31, 2014. The Group intends to expand its fiber footprint to 22 million homes passed by 2022. The acquisition of SFR allowed the Group to significantly increase the penetration of very-high-speed fiber, in particular through cross-selling cable offers to existing SFR DSL subscribers.

The Group believes that it has one of the most expansive and most advanced mobile networks of the alternative French players. The Group's network comprises more than 18,500 active 2G radio sites, from which approximately 17,300 sites contribute to 3G coverage. SFR was the first French operator to offer 4G technology to residential and business subscribers. As of December 31, 2015, the 4G service offered by the Group covered more than 64% of the French population. The Group intends to expand its 4G network coverage to 99% of the French population by 2020. The Group is updating a large number of its antennas by equipping them with single radio access network ("Single-RAN") technology (that supports 2G, 3G and 4G standards on one network) with fiber transmission, which the Group believes will reduce maintenance and infrastructure investment costs and ensure the quality of its infrastructure over time. The combination of the Group's extensive fixed network and its high-quality 4G mobile network allows it to respond to the rapidly increasing demand for data on mobile phones by providing high bandwidth fiber backhaul connections to connect the mobile Single-RAN.

The Group's high level of prior investment and ownership of its local networks, metropolitan loops and a backbone provides the Group with a cost advantage compared to its alternative operator competitors, who must rely partially on the networks or technology of other operators to provide their services. The Group's high level of network ownership also gives it a greater ability to control costs compared to its alternative operator competitors, determine the most accurate incremental capital expenditures and generate higher margins. The Group believes it will be able to maintain this cost advantage so long as alternative competitors do not undertake significant investment and build their own networks.

The Group is the leading multi-play provider of very-high-speed services in its markets, with value-added offerings to French subscribers, providing upsell opportunities in fixed-line and mobile services

Building on its technologically advanced network and innovative offerings, the Group has developed leading positions in multi-play offerings by offering differentiated pay television, very-high-speed broadband internet, fixed line telephony and mobile telephony products as bundles. The Group believes that its strength in pay television, broadband and fixed telephony businesses and its ability to offer advanced mobile telephony services provide an opportunity to increase the penetration of its multi-play and premium packages. The Group believes that by implementing this bundling strategy and increasing triple-play penetration, it will be able to grow its cable/FTTB-based services ARPU. The Group's leading very-high-speed quadruple-play offers have also reduced churn, with the churn levels of its quadruple-play subscribers being significantly lower than that of its overall customer base.

Very-high-speed broadband. The Group can provide subscribers serviced by its cable network with very-high-speed broadband internet, currently with speeds from 100 Mbps up to 1 Gbps, the highest available on a large scale in the French market. The Group's network has been built and upgraded specifically to address the increasing speed and bandwidth requirements of its subscribers. With the acquisition of SFR, the Group has offered and continues to offer SFR's fixed broadband subscribers the option to subscribe to a cable/fiber offering, which provides an opportunity to significantly grow penetration on the Group's network, to reduce cost for renting of the last mile, and to create upselling opportunities.

Comprehensive premium pay television content. The Group believes it is able to offer its subscribers significant advantages in terms of content. It has direct long-term relationships with the major content providers and television channel suppliers and it is currently the only broadband provider contractually able to offer premium content in a single-bill bundle (shared exclusivity with CanalSat). The Group's offerings include an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 programs available. The Group recently launched a new VOD subscription service, "Zive Premieres," which features an extensive catalog of HD and 4K/UHD content. Zive Premieres benefits from Altice's 20 years of experience in sourcing media content and from Altice's international footprint and ability to enter agreements with the largest French and international production companies, enabling it to extend its catalogue of media partners. In addition, the Group has acquired exclusive rights to broadcast certain premium sports content in France, including England's Barclays Premier League.

Advanced mobile services. The Group provides its subscribers with access to one of the most advanced 4G mobile offers in the market, offering significant speed increase and latency benefits. The Group has also revamped and simplified its customer offering: the "*SFR Carrées*" offerings target subscribers that require more premium products, handset subsidies, physical distribution, services and customer support, while the "SFR RED" offerings target the more cost-conscious, SIM-only and mainly self-care subscribers.

Fixed-line telephony. The Group will continue to include fixed-line telephony services as part of its multi-play packages.

Strong SFR brand and the Group's retail distribution network serve as a foundation for future growth

The Group believes that its strong SFR brand and its retail distribution network will enable it to leverage its extensive fixed and mobile infrastructure and best-in-class product offering to drive growth.

Strong brand image. The Group believes that SFR's brand is recognized by subscribers for network reliability and high-quality customer care.

Multi-channel distribution network. The Group also benefits from a strong distribution network, including physical and digital channels. Its physical distribution channels include an extensive store network that included approximately 850 physical stores (through distribution contracts) as of December 31, 2015. The Group believes that its stores offer a compelling in-store customer experience by providing pre-purchase advice on devices and services, subscriptions and customer support, including after-sales service and claims. The Group's online platform complements the physical stores through value-added services, including technical support and news, and through the online store, which showcases the Group's product offerings and serves as the main distribution channel for the "SFR RED" offers. The Group's multi-channel network is supported by its customer service and support teams, which offer a comprehensive range of services covering subscribers' needs such as claim management, technical support, loyalty programs and sales.

Free Cash Flow generation

The Group generated Adjusted EBITDA of €3,860 million and incurred capital expenditures of €1,856 million for the year ended December 31, 2015. The Group believes that its large and diversified customer base and monthly subscription structure provide a certain level of predictability as to future cash flows. The Group believes that its ability to generate cash is a direct result of its rigorous focus on cost optimization and organizational efficiency as well as a prudent capital expenditure policy. We expect capital expenditure to increase in the coming years, as we invest in our fixed and mobile network in order to reach our fiber and 4G coverage targets.

Experienced management and supportive shareholder, with proven integration and synergy delivery track record

Experienced management with proven integration track record. The Group's management has extensive experience in the cable and telecommunications industry and in the French market in particular. The Group was created as the successful combination of multiple cable assets in France which the Group's existing management and our controlling shareholder Altice have successfully consolidated these assets into a fully integrated and profitable company. In addition, we acquired Completel in 2007 and have significantly improved its profitability while enabling it to grow substantially. Michel Combes has been CEO of the Group since September 2015 and will continue as CEO until Michel Paulin's appointment takes effect. Prior to joining the Group, Michel Combes was CEO of Alcatel-Lucent. Thierry Lemaître has been the Group's CFO since May 2010. Prior to joining the Group, he acted as CFO of Wanadoo and as global head of financial control for France Télécom's fixed and mobile divisions.

Strong shareholder support. The Issuer's controlling shareholder, Altice N.V. ("Altice"), has a long-standing track record of investing in telecommunications globally. Altice also has a proven track record of making attractive acquisitions and of unlocking value through operational excellence. Various acquisitions made by Altice, for example in Benelux, Portugal and Israel, highlight its ability to execute integration and realize Adjusted EBITDA growth, including through fixed-mobile convergence strategies. Altice is supported by an entrepreneurial shareholder, Patrick Drahi, founder of Altice, with 20 years of experience owning and managing cable and telecommunications companies globally as Executive Chairman of Altice's board. Among Patrick Drahi's achievements is the roll-up of the French cable and telecommunications market into Numericable and Completel. Altice currently owns 78.04% of the Issuer's share capital and 78.03% of voting rights in the Issuer.

Strategy

The Group intends to leverage and continue to modernize its superior network in order to compete in all market segments to address the growing needs for high bandwidth, rapid and reliable network access. The Group intends to continue to offer innovative products, services and content in order to generate growth and improve the user experience.

Invest in fixed and mobile infrastructure to maintain our competitive advantage in the market and provide the best user experience for French subscribers

The Group believes that its cable and fiber-optic network is the most advanced end-to-end fiber-based fixed network in France, capable of delivering an enhanced user experience to French subscribers and taking advantage of the expected growth in bandwidth demands, while optimizing the Group's cost structure. The Group aims to remain a technology leader in France by providing innovative, best-in-class services to its subscribers. In 2015, the Group announced its plan to expand its next-generation fiber footprint to 22 million homes by 2022, compared to 7.7 million fiber homes passed as of December 31, 2015. This plan, which would more than double the size of the Group's current network, is aimed toward securing the leading position as provider of fiber broadband services in the French market. In addition, the Group aims to leverage its mobile network to offer subscribers the most compelling quadruple-play offers in the market, in particular, through its state-of-the-art 4G network. In 2015, the Group announced that it is intending to expand its 4G network coverage to 99% of the French population.

Provide a compelling value proposition to B2C subscribers in triple- and quadruple-play

Provide high speed broadband, high quality content and superior mobile services to existing and new B2C subscribers. The Group believes that its network leadership, operational excellence and multi-play strategy are key factors to success in France. The Group's strategy is to continue to increase its multi-play customer penetration. The Group aims to offer existing and new B2C subscribers the best bundled triple- and quadruple-play packages in the French market by accelerating investment in both fiber and 4G infrastructure and leveraging its access to premium content, SFR's large customer base and premium brand. The Group believes that its subscribers are increasingly demanding bundled products and expects to benefit from typically higher ARPU on a single customer basis and lower churn rate characteristic of quadruple-play subscribers.

Leverage SFR's large customer base to cross-sell our very-high-speed broadband and pay television products. While the Group's primary focus is to convert a part of SFR's existing fixed customer base to cross-sell offerings including fiber and premium content, it also intends to leverage SFR's superior brand image and store network to increase its market share by capturing new subscribers that are in need of higher speeds and bandwidth.

Invest in premium content to enrich the Group's communications service offerings and differentiate its offerings in the market place

The Group plans to selectively invest in premium content as part of its long-term strategy of converging its telecommunication assets with media channels, distribution, content development and production. In this regard, the Group recently acquired the exclusive broadcasting rights for France and Monaco to England's Barclays Premier League, the world's most widely broadcasted football championship, for seasons 2016/17 to 2018/19.

Adapted strategy and value proposition in mobile

To face recent changes in the mobile market, the Group has drastically simplified its business model and customer offering.

Revamp and simplify customer offerings. Following the arrival of a new mobile operator that provided very basic yet appealing mobile offers, the Group has simplified its mobile customer offerings and tailored its new plans to satisfy subscribers' evolving needs. The number of plans offered has been cut in half in both B2C and B2B markets. In parallel, SFR has revisited and rationalized its store network to focus on the most optimal locations.

Adapt brand positioning to cover all customer segments. The Group has expanded its offering to all segments of the French mobile market, with SFR's "*SFR Carrées*" banner covering the premium segment of the post-paid market and its "RED" banner targeting the growing no-frills market.

Develop innovative services. The Group is also investing in opportunities to grow revenue from mobile subscribers, including through the development of additional innovative services such as content and payment functions.

Exploit new growth opportunities in the B2B and Wholesale markets

Shift to Next Generation Services. The Group serves the B2B market's growing demand for next generation services, including remote voice protocol services, hosting and cloud services, which all require high bandwidth and offer higher margins. The Group's fiber network is both powerful and flexible, has the high capacity bandwidth necessary to offer these next generation services and is also fully adaptable to future services that may require even greater bandwidth capacity and reliability. The Group also benefits from a full range of services deployed to meet the evolving needs of B2B subscribers and has around 100 data centers. The Group intends to capitalize on the combination of its powerful network and expertise in critical network architecture to grow its customer base and increase its offering of higher margin data products.

Redeploy B2B sales force efficiently. The Group is a strong challenger to the incumbent in the B2B market. Even though the "SFR Business Team" brand and our prior "Completel" brand previously competed for the same key B2B accounts, and did not always have sufficient resources to compete against the incumbent on other accounts, the Group, after the acquisition of SFR, has been able to strategically redeploy its sales force to fully address all B2B market sub-segments. The Group intends to continue to increase its market share in this segment and address adjacent market segments including cloud services and M2M communications.

Grow operating margins and cash flow by leveraging operational expertise and Group synergies

The Group has realized certain operating synergies from its acquisition of SFR on November 27, 2014 and expects to realize certain additional synergies by (i) investing in the Group's fiber network, migrating SFR's existing DSL subscribers to the Group's own network and reducing the need for third party network services, (ii) continuing to improve and simplify operational processes and reduce IT costs by investing into new platforms, (iii) integrating SFR's sales organizations with those of the Group, optimizing the Group's sales channels and simplifying the Group's brand portfolio, (iv) implementing further procurement efficiencies by leveraging the Group's bargaining power and (v) further reducing overhead costs.

The Issuer

The Issuer is a French corporation incorporated as a *société anonyme*, having its registered office at 1 square Béla Bartók, 75015 Paris, France, registered under sole indentification number 794 661 470 RCS Paris. The Issuer completed an initial public offering of ordinary shares on November 8, 2013 following which its shares are listed on the Euronext Paris market of NYSE Euronext.

Principal Shareholders

As of the date of this Offering Memorandum, Altice, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands, registered with the Dutch Trade Registry under number 63329743, having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, owns, through its indirect wholly owned subsidiaries Altice France and Altice France Bis, 78.04% of the Issuer's share capital and 78.03% of voting rights in the Issuer.

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

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

The Transactions

The "Transactions" refers to the transactions described below, including the issuance of the Notes offered hereby and the payment of fees and expenses in connection with such transactions.

The Existing 2019 Notes Refinancing

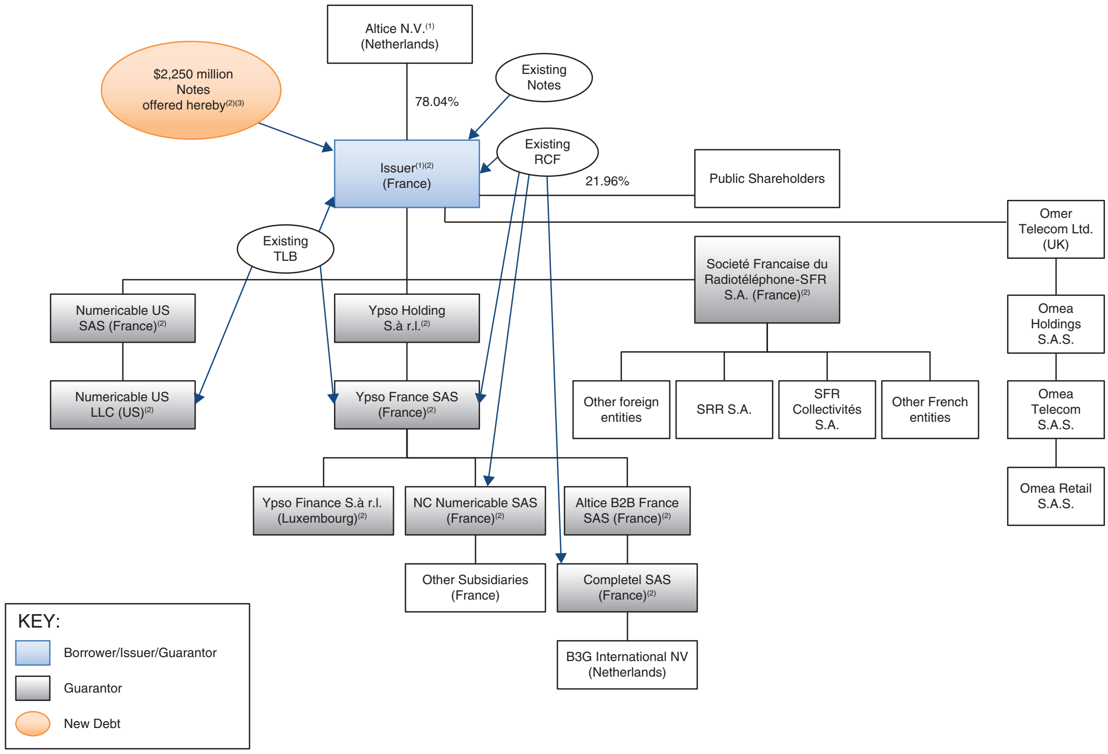
On May 15, 2016, the Issuer will redeem $1,655 million in aggregate principal amount of the Existing 2019 Notes at a redemption price of 103.656% of the principal amount redeemed plus accrued and unpaid interest to, but not including, the redemption date (the "Existing 2019 Notes Refinancing").

The RCF Refinancing

On or about the Issue Date, the Issuer will prepay (or will on-lend part of the proceeds of the Notes to various of its subsidiaries, which are borrowers under the Existing Revolving Credit Facilities to enable them to prepay) €450 million of borrowings outstanding under the Existing Revolving Credit Facilities with the proceeds of the Notes (the "RCF Refinancing").

CORPORATE AND FINANCING STRUCTURE

The chart below is a summary of the Group's corporate and financing structure after giving effect to the Transactions. For further information, please see "*The Transactions*", "*Use of Proceeds*", "*Capitalization*" and "*Principal Shareholders*". For a summary of the material financing arrangements identified in this diagram, please see "*Description of Other Indebtedness*" and "*Description of Notes*".



(1) Altice N.V. owns, through its indirect wholly owned subsidiaries Altice France S.A. and Altice France Bis S.à r.l., 78.04% of the Issuer's share capital and 78.03% of the voting rights in the Issuer.

(2) The Notes will be senior secured obligations of the Issuer. The Notes will be guaranteed (the "Guarantees") on a senior basis by each of SFR (excluding its subsidiaries), Ypso Holding S.à r.l., Ypso France S.A.S., Ypso Finance S.à r.l., NC Numericable S.A.S, Altice B2B France S.A.S., Completel S.A.S., Numericable U.S. S.A.S. and Numericable U.S. LLC (the "Guarantors").

For the year ended December 31, 2015, the Issuer and the Guarantors represented 88% of the Issuer's consolidated revenues and 92% of the Issuer's consolidated Adjusted EBITDA. As of December 31, 2015, the Issuer and the Guarantors represented 99% of the Issuer's consolidated total assets. The maximum liability of any Guarantor incorporated in France (each, a "French Guarantor") or in Luxembourg in respect of the Notes may be limited pursuant to, respectively, French law or Luxembourg Law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

(3) The Notes and the Guarantees will benefit from: (a) senior pledges over all of the capital stock of the Guarantors and certain intercompany loans; (b) senior pledges over the business (*fonds de commerce*) of NC Numericable S.A.S. and SFR; (c) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Guarantors; and (d) senior pledges over certain bank accounts of the Issuer (collectively, the "Notes Collateral"). None of the network assets of the Issuer or its subsidiaries will be pledged as security for the Notes. See "*Description of Notes—Notes Security*".

The Notes Collateral also secures, or will secure, indebtedness (either directly or indirectly by virtue of the Intercreditor Agreement) under the Existing Revolving Credit Facilities, the Existing Term Loans, the Existing Notes, and certain hedging agreements. The security interests over the Notes Collateral granted by a Guarantor will be subject to the same limitations applicable to the Guarantee of such Guarantor. In addition, the security interests over the Notes Collateral will, in some cases, be first-ranking and, in other cases, further ranking. Pursuant to the terms of the Intercreditor Agreement, the holders of the Existing Notes, the lenders under the Existing Revolving Credit Facilities and the Existing Term Loans and counterparties to certain hedging obligations secured on the Notes Collateral will share in recoveries from the enforcement of the security interests over the Notes Collateral on a *pari passu* basis (whether or not such indebtedness is directly secured by all or any of the Notes Collateral).

THE OFFERING

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

Issuer	Numericable-SFR S.A.
Notes Offered	$2,250 million aggregate principal amount of % senior secured notes due 2026 (the "Notes").
Maturity Date	, 2026.
Interest Rate	%.
Interest Payment Dates	Interest is payable on the Notes semi-annually in arrears on each of and , commencing on . Interest on the Notes will accrue from the Issue Date.
Denominations	The Notes will be in denominations of $200,000 and any integral multiples of $1,000 above $200,000. Notes in denominations of less than $200,000 will not be available.
Issue Price	%.
Ranking of the Notes	The Notes • will be senior obligations of the Issuer; • will be secured as set forth under "—*Security*"; • will be *pari passu* in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness under the Existing Notes, the Existing Term Loans, the Existing Revolving Credit Facilities and certain hedging obligations; • will rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • will be effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • will be structurally subordinated to the indebtedness and the other obligations of subsidiaries of the Issuer that do not guarantee the Notes.
Guarantees of the Notes	On the Issue Date, the Notes will be guaranteed on a senior secured basis (the "Guarantees") by SFR (excluding its subsidiaries), Ypso Holding S.à r.l., Ypso France S.A.S., Ypso Finance S.à r.l., NC Numericable S.A.S., Altice B2B France S.A.S., Completel S.A.S., Numericable U.S. S.A.S. and Numericable U.S. LLC (collectively, the "Guarantors"). As a general matter, the aggregate value of the Guarantee of any French Guarantor in respect of the Notes will be limited to the amount of the proceeds of the offering of the Notes received, directly or indirectly, by such French Guarantor or any of its subsidiaries and outstanding at the time its Guarantee is called.

Ranking of the Guarantees . . . . The Guarantee of each Guarantor:

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

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

Security . . . . On the Issue Date, the Notes and the Guarantees will be secured by, either directly or through the Intercreditor Agreement (collectively, the "Notes Collateral"):

- senior pledges over all of the capital stock of the Guarantors and certain intercompany loans;
- senior pledges over the business (*fonds de commerce*) of NC Numericable and SFR;
- senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Guarantors; and
- senior pledges over certain bank accounts of the Issuer.

In the event the Issuer or the relevant grantor of security is required to enter new Notes Collateral Documents in order to provide security for its obligations under the Notes or the Guarantees, as applicable, as described herein, such Notes Collateral Documents will be entered into within 20 business days after the Issue Date.

The Notes Collateral securing the Notes and the Guarantees also secure, or will secure, indebtedness (either directly or indirectly by virtue of the Intercreditor Agreement) under the Existing Revolving Credit Facilities, the Existing Notes, the Existing Term Loans and certain hedging agreements.

The security interests over the Notes Collateral granted by any Guarantor will be subject to the same limitations applicable to the Guarantee of such Guarantor. In addition, the security interests over the Notes Collateral will, in some cases, be first-ranking and, in other cases, further ranking. Pursuant to the terms of the Intercreditor Agreement, the holder and/or lenders under the Notes, the Existing Notes, the Existing Revolving

	Credit Facilities, the Existing Term Loans and certain hedging obligations will share in recoveries from the enforcement of the security interests over the Notes Collateral on a *pari passu* basis, subject to the terms of the Intercreditor Agreement (whether or not such indebtedness is directly secured by all or any of the Notes Collateral). See "*Risk Factors—Risks Relating to the Notes and the Structure*".
Optional Redemption	At any time prior to , 2021, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a "make whole" premium plus accrued and unpaid interest, if any, to (but excluding) the redemption date. At any time prior to , 2019, the Issuer may redeem up to 40% of the Notes at a redemption price set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest, if any, to (but excluding) the redemption date. At any time on or after , 2021, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest, if any, to (but excluding) the redemption date.
Change of Control	Following a change of control triggering event (as defined in the Indenture) at any time, the Issuer will be required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of the purchase. See "*Description of Notes—Change of Control*".
Redemption for Taxation Reasons	If certain changes in the law of any relevant taxing jurisdiction after the issuance of the Notes would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to (but excluding) the date of redemption. See "*Description of Notes—Redemption for Changes in Withholding Taxes*".
Additional Amounts	Any payments made with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment under the Notes, subject to certain exceptions, the Issuer will pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding is not less than the amount that they would have received in the absence of the withholding. See "*Description of Notes—Withholding Taxes*".
Certain Covenants	The Issuer will issue the Notes under the Indenture. The Indenture will, among other things, limit the ability of the Issuer and their Restricted Subsidiaries, as applicable, to: • incur or guarantee additional indebtedness; • make investments or other restricted payments; • create liens; • sell assets and subsidiary stock; • pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt;

	• engage in certain transactions with affiliates; • enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and • engage in mergers or consolidations. These covenants will be subject to a number of important exceptions and qualifications. In addition, if for such period of time, if any, that the Notes have received investment grade ratings from both Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service, Inc. ("Moody's") and no default or event of default exists under the Indenture, the Issuer will not be subject to certain of the covenants listed above. See "*Risk Factors—Risks Relating to the Notes—Certain covenants may be suspended upon the occurrence of a change in the Issuer's ratings*" and "*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*".
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in the United States in compliance with Rule 144A and outside the United States in reliance on Regulation S or in transactions that are exempt from or are not subject to the registration requirements of the U.S. Securities Act. Please see "*Notice to Investors*" and "*Plan of Distribution*".
Use of Proceeds	See "*The Transactions*", "*Capitalization*" and "*Use of Proceeds*".
No Established Market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Taxation	For a description of certain tax consequences of an investment in the Notes, see "*Certain Tax Considerations*".
Original Issue Discount	The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined *de minimis* amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*".
Listing and Trading	Application will be made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. See "*Description of Notes—Certain Covenants—Maintenance of Listing*".
Security Agent	Deutsche Bank AG, London Branch.

Trustee	Deutsche Bank Trust Company Americas.
Paying Agent	Deutsche Bank Trust Company Americas.
Transfer Agent and Registrar	Deutsche Bank Trust Company Americas.
Governing Law	The Notes and the Indenture will be governed by the laws of the State of New York.
Governing Law of the Notes Collateral Documents	The security documents governing the Notes Collateral will be governed by and construed in accordance with the laws of Luxembourg and France, as applicable. See "*Description of Notes—Notes Security*".
Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section in this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

The Issuer was formed on August 2, 2013 and Ypso Holding S.à r.l. and its subsidiaries and Altice B2B Lux Holding S.à r.l. and its subsidiaries were contributed to the Issuer on November 7, 2013. On November 27, 2014, the Group consummated the SFR Acquisition and the financial position and results of operations of SFR are consolidated in the financial statements of the Issuer from such date. On December 5, 2014, the Group consummated the Virgin Mobile Acquisition and the financial position and results of operations of Virgin Mobile are consolidated in the financial statements of the Issuer from such date.

The following tables set forth summary financial information and other data. The Consolidated Statement of Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow presented forth below are derived from the English language translation of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 (which include restated comparative figures as of and for the year ended December 31, 2014, as described below) and the English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2014 (which include comparative figures as of and for the year ended December 31, 2013), prepared in accordance with IFRS as adopted by the European Union, which have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG S.A. To improve its financial reporting and ensure consistency of presentation of financial statements with certain of its affiliate companies, the Issuer has changed the presentation of its financial statements and made a number of other changes in its accounting methods and management rules, as well as to give effect to the finalization of the purchase price relating to the SFR Acquisition and the Virgin Mobile Acquisition, with effect from the year ended December 31, 2015. See Note 1 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015. Comparative figures as of and for the year ended December 31, 2014 included in the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 were restated from figures presented in the previously published Issuer's audited consolidated financial statements as of and for the year ended December 31, 2014 to reflect the abovementioned changes. Note 38 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 includes a reconciliation between the previously published figures and the restated figures, and a description of the changes made with respect, to the financial information as of and for the year ended December 31, 2014. In addition, in order to aid comparability of financial information with previous periods, for the purposes of the sections "*Summary Financial Information and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*", the Issuer has presented financial information as of and for the year ended December 31, 2013 taking into account the abovementioned presentational changes, but excluding changes to accounting methods and management rules. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*". The financial information as of and for the years ended December 31, 2013 and 2014 restated as described above is herein referred to as the "Restated Information".

Consolidated Statement of Income Data

	For the year ended December 31,					
	2013 Restated Information[(1)]		2014[(2)] Restated Information		2015	
	(in millions of euros and as a % of total revenues)					
Revenues	**1,314**	**100.0%**	**2,170**	**100.0%**	**11,039**	**100.0%**
Purchasing and subcontracting	(307)	-23.3%	(630)	-29.0%	(3,890)	-35.2%
Other operating expenses	(282)	-21.5%	(670)	-30.9%	(2,467)	-22.3%
Personnel expenses	(113)	-8.6%	(170)	-7.8%	(877)	-7.9%
Amortization and depreciation	(304)	-23.1%	(496)	-22.8%	(2,554)	-23.1%
Other non-recurring expenses and revenue	(40)	-3.0%	(112)	-5.2%	(314)	-2.8%
Operating income	**269**	**20.4%**	**91**	**4.2%**	**937**	**8.5%**
Interest income	10	0.7%	15	0.7%	782	7.1%
Gross cost of debt	(199)	-15.2%	(504)	-23.2%	(781)	-7.1%
Other financial expenses	(134)	-10.2%	(111)	-5.1%	(47)	-0.4%
Net interest and other income	**(324)**	**-24.7%**	**(600)**	**-27.6%**	**(46)**	**-0.4%**
Earnings from equity-affiliates	(0)	0.0%	4	0.2%	6	0.1%
Income before tax	**(55)**	**-4.2%**	**(505)**	**-23.2%**	**898**	**8.1%**
Income (expense) from income tax	120	9.1%	317	14.6%	(215)	-1.9%
Net income from ongoing activities	**65**	**4.9%**	**(188)**	**-8.7%**	**682**	**6.2%**
Income net of activities sold or in the process of sale	—	—	—	—	—	—
Net income	**65**	**4.9%**	**(188)**	**-8.7%**	**682**	**6.2%**
Attributable to owners of the entity	65	4.9%	(188)	-8.7%	675	6.1%
Attributable to minority shareholders	0	0.0%	0	0.0%	7	0.1%

(1) A reconciliation between the prior presentation and the newly adopted presentation with respect to the financial information for the year ended December 31, 2013, is provided in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Analysis of Historical Results for the Years Ended December 31, 2013 and 2014*". Excludes the effect of changes in accounting methods and the harmonization of certain management rules.

(2) Includes SFR from November 27, 2014 and Virgin Mobile from December 5, 2014.

Consolidated Statement of Financial Position

	As of December 31,		
	2013 Restated Information(1)	2014(2) Restated Information	2015
	(in millions of euros)		
Goodwill	1,484	10,554	10,554
Intangible assets	307	8,395	7,983
Property, plant and equipment	1,465	5,634	5,627
Investments in associates	3	126	110
Non-current financial assets	7	1,003	2,112
Deferred tax assets	133	501	2
Other non-current assets	—	50	57
Total non-current assets	**3,399**	**26,270**	**26,445**
Inventories	50	256	286
Trade and other receivables	403	2,732	2,723
Income tax receivables	3	252	271
Current financial assets	4	135	2
Cash and cash equivalents	101	620	355
Total current assets	**561**	**3,995**	**3,637**
Assets held for sale	—	—	—
Total assets	**3,960**	**30,265**	**30,081**
Share capital	124	487	440
Additional paid-in capital	2,108	9,748	5,360
Reserves	(1,979)	(2,283)	(1,545)
Equity attributable to the owners of the entity	**253**	**7,952**	**4,256**
Non-controlling interests	—	10	12
Total invested equity	**254**	**7,962**	**4,267**
Non-current long term borrowings and financial liabilities	2,590	12,539	16,443
Other non-current financial liabilities	112	810	215
Non-current provisions	74	635	727
Deferred tax liabilities	—	1,294	816
Other non-current liabilities	103	582	780
Non-current liabilities	**2,878**	**15,860**	**18,981**
Short-term borrowings and financial liabilities	43	179	254
Other current financial liabilities	22	99	588
Trade payables and other liabilities	700	5,011	4,878
Current income tax liabilities	—	217	187
Current provisions	6	330	328
Other current liabilities	57	606	597
Current liabilities	**828**	**6,443**	**6,833**
Total equity and liabilities	**3,960**	**30,265**	**30,081**

(1) A reconciliation between the prior presentation and the newly adopted presentation with respect to the financial information as of and for the year ended December 31, 2013, is provided in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Analysis of Historical Results for the Years Ended December 31, 2013 and 2014*". Excludes the effect of changes in accounting methods and the harmonization of certain management rules.

(2) Includes SFR from November 27, 2014 and Virgin Mobile from December 5, 2014.

Consolidated Statement of Cash Flow

	For the year ended December 31,	
	2014[1] Restated Information	2015
	(in millions of euros)	
Net cash flow provided by operating activities	893	3,135
Net cash flow used by investing activities	(13,632)	(1,732)
Net cash flow provided (used) by financing activities	13,147	(1,758)
Total net increase (decrease) in cash and cash equivalents	**482**	**(355)**

(1) Includes SFR from November 27, 2014 and Virgin Mobile from December 5, 2014.

Adjusted EBITDA, Capital Expenditures and *Pro Forma* Adjusted EBITDA

	For the year ended December 31,		
	2013 Restated Information[6]	2014 Restated Information[7]	2015
	(in millions of euros)		
Adjusted EBITDA[1]	616	708	3,860
Adjusted EBITDA margin rate[2]	46.9%	32.6%	35.0%
SFR Acquisition Synergies[3]	—	—	120
Pro Forma Adjusted EBITDA[4]	—	—	3,980
Capital expenditures[5]	320	583	1,856

(1) Adjusted EBITDA is equal to operating income, adjusted for certain items as reflected in the table below. The Group believes that this measure is useful to investors as it provides them with a measure that excludes certain items that the Group considers to be outside its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding the Group's earnings and cash-flow generation that allows investors to identify trends in its financial performance. It should not be considered as a substitute measure for operating profit or profit for the period (as determined in accordance with IFRS), cash flows from operating, investing and financing activities or any other measures of performance under IFRS or other generally accepted accounting standards. Adjusted EBITDA as defined by us may not be comparable to similarly titled measures used by other companies (including Altice). See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*." The following table provides a reconciliation of operating income to Adjusted EBITDA.

Reconciliation of operating income to Adjusted EBITDA

	For the year ended December 31,		
	2013 Restated Information[6]	2014 Restated Information[7]	2015
	(in millions of euros)		
Operating income	**269**	**91**	**937**
Amortization and depreciation	304	496	2,554
SFR and Virgin Mobile acquisition costs	—	61	16
Restructuring costs[a]	1	10	80
Costs associated with stock option plans	4	9	9
Other non-recurring costs/revenue[b]	39	42	263
Adjusted EBITDA	**616**	**708**	**3,860**

(a) For 2015, includes €37 million in commercial site restoration costs, resulting from the workforce consolidation at the Saint-Denis site, €15 million in costs for cancellation of contracts specifically associated with the network, and €14 million in provisions for the closure of shops. For 2014, includes restructuring costs relating to the SFR Acquisition and the Group's acquisition of LTI Telecom in October 2013.

(b) For 2015, includes losses arising as a result of the write off of property, plant and equipment and intangible fixed assets in an amount of €188 million, including a loss of €116 million related to the unfavorable outcome of litigation regarding our ownership of the DSP 92 network, the impact during the period of costs related to certain contracts prior to their renegotiations of €45 million, costs of €14 million relating to a litigation and other non-recurring charges of an amount of €16 million. For 2013 and 2014 includes costs of €15 million in 2013 and €22 million in 2014 relating to the accelerated depreciation of set-top boxes and routers that were returned damaged or were not returned by subscribers and the cost relating to the expensing of the net carrying amount of assets returned to local authorities at the end of public service delegations, as well as costs of €11 million in 2013 and €19 million in 2014 relating to provisions and/or costs related to tax and social security audits.

(2) Adjusted EBITDA margin rate is equal to the Adjusted EBITDA for a relevant period as the percentage of revenues for such period.

(3) The Group has realized certain operating synergies from its acquisition of SFR on November 27, 2014 and expects to realize certain additional synergies by continuing to (i) invest in the Group's fiber network, migrate SFR's existing DSL subscribers to the Group's own network and reduce the need for third party network services, (ii) improve and simplify operational processes and reduce IT costs by investing into new platforms, (iii) integrate SFR's sales organizations with those of the Group, optimize the Group's sales channels and simplify the Group's brand portfolio, (iv) implement further procurement efficiencies by leveraging the Group's bargaining power and (v) reduce overhead costs. This synergy estimate is based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(4) *Pro Forma* Adjusted EBITDA for the year ended December 31, 2015 is the sum of Adjusted EBITDA and SFR Acquisition Synergies.

(5) Corresponds to acquisitions of property, plant and equipment and intangible assets, net of subsidies and, in 2015, excluding expenditures relating to the 700 MHz frequency block which have not been paid as of December 31, 2015.

(6) Excludes the effect of changes in accounting methods and the harmonization of certain management rules.

(7) Adjusted EBITDA and Capital Expenditures for the year ended December 31, 2014 includes SFR from November 27, 2014 and Virgin Mobile from December 5, 2014.

Other Operating Data

	As of and for the year ended		
	2013 (Aggregated)[(6)]	**2014[(7)]**	**2015**
	(in thousands unless otherwise indicated)		
B2C operating data			
Footprint[(1)]			
Homes passed[(2)]	8,582	9,036	9,323
Of which fiber connections	5,196	6,451	7,711
Mobile subscribers	17,036	16,238	15,137
Of which post-paid	13,257	13,004	12,604
Of which pre-paid	3,780	3,234	2,533
Fixed-line subscribers[(3)]	6,582	6,577	6,353
Of which ADSL	5,102	5,030	4,538
Of which FTTB and FTTH	1,480	1,547	1,814
Monthly ARPU[(4)] (*in euros*)			
Mobile subscribers	23.9	22.5	22.5
Of which post-paid	29.0	26.6	25.9
Of which pre-paid	8.0	7.4	7.4
Fixed-line subscribers	34.3	34.1	35.1
Of which ADSL	32.6	32.6	33.4
Of which FTTH	34.7	28.5	34.9
Of which FTTB	41.3	41.0	40.8
B2B operating data			
Post-paid fixed-line subscribers	6,190	6,701	6,811
Of which M2M	3,615	4,225	4,649
Operating data for the fixed-line Wholesale segment			
White label end users	974	1,001	692
Of which Fiber[(5)]	363	364	327

(1) The operating data pertaining to the Group's footprint and penetration are presented as of the relevant reporting date.

(2) A home is considered "passed" if it can be connected to the transmission system with no additional extension to the network.

(3) Excludes stand-alone telephony subscribers.

(4) The operating data pertaining to the ARPU are presented in euros per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

(5) Fiber white label end users (i.e., not including DSL white label end users), in accordance with the financial communication policy of the Group, as well as the accounting segments of the Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the Wholesale segment).

(6) The aggregated operating data as of and for the year ended December 31, 2013 presents operating data as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2013.

(7) Operating data for the year ended December 31, 2014 (i.e., "Monthly ARPU") presents *pro forma* operating data as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2014.

Certain As Adjusted Information

	As of and for the year ended December 31, 2015
	(in € millions)
As adjusted net financial debt (after currency impact of derivative instruments)[(1)]	14,473
Pro Forma Adjusted EBITDA	3,980
Ratio of as adjusted net financial debt (after currency impact of derivative instruments) to *Pro Forma* Adjusted EBITDA	3.6x

(1) Reflects total financial debt after taking into account the exchange rate effect of derivative instruments with respect to our existing debt minus cash and cash equivalents, on an as adjusted basis after giving effect to the issuance of the Notes and the application of the proceeds therefrom. Excludes €175 million of drawdowns under the Existing Revolving Credit Facilities after December 31, 2015 which will not be refinanced pursuant to the RCF Refinancing. See "*Capitalization*".

RISK FACTORS

An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in 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 the Group's business, prospects, results of operations and financial condition and its ability to make payments on the Notes and could therefore have a negative effect on the trading price of the Notes and on your investment. 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 the Group's results of operations, financial condition, business or operations in the future. In addition, the Group's 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".

In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries, including SFR and Virgin Mobile, following the consummation of the SFR Acquisition on November 27, 2014 and the Virgin Mobile Acquisition on December 5, 2014, respectively.

Risks Relating to the Group's Industry and Market

The Group faces significant competition in each of the industries in which the Group operates and competitive pressures could have a material adverse effect on the Group's business.

The Group faces significant competition from established and more recent competitors and may face competition from new entrants and market concentrations in the future. While the nature and level of competition to which the Group is subject vary according to the products and services that it offers, in each case the Group generally competes on the basis of prices, marketing, products, network coverage, characteristics of services, and customer service. The main competitor of the Group in its markets overall is Orange, the incumbent telecommunications operator in France, that has greater financial resources and owns a more extensive network than the Group's and that is unlikely to be duplicated or matched by the Group in the near future. Bouygues Telecom and Iliad are also major competitors of the Group in the B2C market. In the premium pay-TV market Groupe Canal+ products are available throughout the French territory via satellite, cable, and DTT and DSL technologies. In the B2B market, in addition to Orange and Bouygues Telecom, the Group also competes with international telecommunications operators such as Colt, Verizon, AT&T, and BT, which offer multinationals access to their international networks while the Group's network is available only in France.

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

Moreover, the Group is also facing competition from non-traditional mobile voice and data services based on new mobile voice over the internet technologies, in particular OTT applications, such as Skype, Google Talk, Facetime, Viber and Whatsapp. These OTT applications are often free of charge, accessible via smartphones and allow their users to have access to potentially unlimited messaging and voice services over the internet, thus bypassing more expensive traditional voice and messaging services (SMS/MMS) provided by mobile network operators like us, who are only able to charge the internet data usage for such services. These new players could place themselves between telecommunications operators and the end customer, exposing the Group to a risk of degradation or loss of relationship with the end customer, in an environment where this relationship generates value. In addition, such providers of services or content could directly offer their services to end consumers, resorting to telecommunications operators only for providing access. The Group and other telecommunications operators thus risk no longer being the direct interface for subscribers and risk becoming mere service providers. For a description of the regulatory framework applicable to the Group, see "*Regulation*".

The following is an overview of the competitive landscape in France:

B2C

In the French pay-TV market, the Group competes with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free and Bouygues Telecom, which provide IPTV, and providers of pay DTT (such as Canal+, which operates across multiple formats: including IP-TV, pay DTT, satellite and cable). The growth of IPTV, which is the most popular pay-TV distribution platform followed by satellite and DTT, has changed the market, opening up the provision of pay-TV services beyond the traditional methods of cable and satellite, which is limited by the inability to install a satellite dish on the façade of buildings in certain areas, such as central Paris. The Group also competes with satellite television services that may be able to offer a greater range of channels to a larger audience, reaching wider geographic areas (especially in rural areas) for lower prices than the prices of the Group's cable pay-TV services. Any increase in market share of satellite distribution may have a negative impact on the success of the Group's digital cable television services. The Group also faces competition from satellite distribution of free to air television programming. While pay DTT's share (which only includes Canal+ Group currently) of the pay-TV market is currently low, providers of pay DTT may in the future be able to offer a wider range of channels to a larger audience for lower prices than the Group charges.

In the broadband market the Group provides high speed internet through its cable network and xDSL network and it competes primarily with xDSL and FTTH providers, with FFTH currently being the most widespread technology used to access broadband internet in France. Orange is the leading DSL provider in France, followed by Free, SFR and Bouygues Telecom. While the Group believes that the superior performance and capacity of its cable network compared to its competitors' xDSL networks currently places the Group at a competitive advantage to exploit the increased demand in France for very-high-speed internet in the areas covered by the Group's cable network, such competitive advantage may be diminished to the extent that xDSL operators roll out FTTH or VDSL2 networks. For further information see "*Risk Factors—The deployment of fiber optic networks and/or VDSL2 by competitors of the Group could reduce and ultimately eliminate the gap between the speed and the power of the fiber optic/cable network of the Group compared to the DSL networks of its main competitors.*" In addition, the Group's xDSL competitors' networks cover more French households than the Group's network and pricing is very competitive.

The Group also competes with service providers that use other alternative technologies for internet access, such as satellite technologies or mobile standards such as universal mobile telecommunications system ("UMTS") and 3G/4G mobile technologies. These mobile broadband high speed internet access technologies may enable both incumbent and new broadband access providers to provide high bandwidth connection services for voice and data. Furthermore, additional access technologies may be launched in the future that will further increase competition or lead the Group to increase capital expenditure for additional upgrades. Providers of mobile broadband internet access may be able to offer fast internet access speeds at a competitive cost, with the additional possibility of allowing subscribers to access the internet remotely.

The French mobile telephony market is characterized by competition among well established mobile network operators such as Orange, Bouygues Telecom and Free and other operators without their own mobile networks ("MVNOs"). Competition has intensified, particularly as to price, since Free entered the market in early 2012 with a low-priced unlimited calling package. The mobile telephony market in France is currently undergoing a transformation because of competitive pricing, bundled packages no longer including subsidized handsets and the development of "low cost" brands.

B2B

In the B2B segment the Group's main competitors are Orange (Orange Business Services) and Colt. Bouygues Telecom Enterprises is also a competitor in the SME segment. The French B2B market for voice services is extremely price sensitive, with sophisticated customers, relatively short term (typically one year) contracts, and vulnerability to cuts in mobile termination rates. The ability to compete effectively is partially a function of network capillarity, and certain of the Group's competitors have a more extensive and denser network than us. In the data market, customers also often seek combined infrastructure and software solutions. As a result, the Group also competes with software and other IT providers of data and network solutions, which may decrease the value customers place on its infrastructure solutions, leading to a reduction in its prices and margins. IT providers may also partner with the Group's infrastructure telecommunications competitors.

Wholesale

The French wholesale telecommunications market is dominated by Orange and the Group (through its subsidiaries, including SFR), although Orange's and the Group's market shares vary depending on the segment. The Group also faces competition from consortiums of telecommunications operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fiber in construction sites and then lease them on the wholesale market). The wholesale market for data services in France is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement. The wholesale market for dark fiber infrastructure in France is more open than for wholesale voice and data carriage, as providing it does not require having a dense, national network and does not include any services that would require technical expertise.

Two of the main competitors of the Group, Orange and Bouygues S.A. (the parent company of Bouygues Telecom), had recently been in publicly announced discussions concerning a potential consolidation of Bouygues Telecom with Orange. If it had occurred, the transaction may have reshaped the telecommunication industry in France by transforming the market into a three player market. On April 1, 2016, Orange and Bouygues separately announced that they did not reach an agreement on the potential transaction and that the discussions between the parties were terminated. We expect competition in the French telecommunications industry to remain intense and there can be no assurance that the Group will not be negatively impacted by such developments in one or more of the markets in which the Group competes.

The deployment of fiber optic networks and/or VDSL2 by competitors of the Group could reduce and ultimately eliminate the gap between the speed and the power of the fiber optic/cable network of the Group compared to the DSL networks of its main competitors.

The Group believes that one of its major competitive advantages is the power and speed of its fiber optic/cable network. As of December 31, 2015, the Group's network included 7.7 million fiber enabled households. However, the competitors of the Group could deploy fiber optics and/or VDSL2 networks enabling download speeds and bandwidths that could rival those reached by the Group's network, and thus strongly reduce the Group's competitive advantage. The Group's main DSL competitors (Orange, Free and Bouygues Telecom) have begun to introduce FTTH networks to increase and harmonize their network speed. On March 17, 2015, Orange launched its strategic plan for 2020 and announced that it would invest more than €15 billion in its networks between 2015 and 2018. With regard to very-high-speed fixed broadband, Orange has the objective of tripling its investments in fiber optics between now and 2020 and increasing its connected households from 3.6 million at the end of 2014 to 12 million in 2018 and 20 million in 2022 (source: Orange press release).

Furthermore, other operators may obtain access to the infrastructure deployed by an operator through joint projects for financing. All of the DSL operators have announced various agreements on sharing the deployment of FTTH in given areas. For example, Orange and Free entered into a contract in July 2013 providing for the deployment by Free of a fiber network using Orange's infrastructure in about 20 French cities, which allows for open access to all competing operators. In addition, in 2013 the government announced a FTTH deployment plan (for which cable technology is not eligible) of €20 billion (invested by private operators and local authorities) with the objective of providing very-high-speed internet access to 50% of the population by 2017 and to the entire territory in 2022. The government will provide a subsidy package of €3.3 billion, partly from funding from the Investments for the Future Program managed by the Office of the General Commissioner of Investment under the 2015 Budget Act.

In October 2015, the European Commission opened proceedings against France on subsidies awarded to Orange in connection with increasing the speed over Orange's copper network on the grounds that this constituted an "illegal state aid". These proceedings may impact the results and activities of the Group.

As a result FTTH deployment by the Group's competitors could accelerate and the share of FTTH on the high-speed internet market could grow significantly. While parts of the Group's network may be eligible for the program, its effect on the Group and the future of fiber deployment in France are unclear as of the date of this Offering Memorandum.

VDSL2 technology has also been implemented in some areas by competitors of the Group. Deployment of VDSL2 only requires adding VDSL2 cards in already deployed digital subscriber line access multiplexers ("DSLAMs") and does not involve physical intervention at the subscriber's premises. Moreover, the deployment of this technology has accelerated since October 2014 given the favorable opinion of the copper experts committee that has allowed the marketing, starting from that date, of VDSL2 in indirect distribution on all lines from a main distribution frame ("MDF") on Orange's local copper loop. In 2015, approximately 5.3 million households were eligible for VDSL2 (source: ARCEP, Wholesale market high and very-high-speed broadband observatory, Electronic communications market indicators for the fixed broadband and superfast broadband market, March 2015).

If the competitors of the Group continue to deploy or significantly increase their fiber optic networks they could be able to compete with the Group in terms of the offering of high-speed internet and television services of a quality and speed greater than or equal to those of the Group, thus potentially eliminating the Group's current competitive advantage, increasing the pressure upon prices and margins and leading the Group to make significant investments in order to match the services they offer. Deployment of VDSL2 and/or fiber optic networks by competitors also represents a risk for the B2B segment of the Group, particularly with regard to medium-sized, small-to-medium-sized and very-small-sized businesses to which the Group's DSL/fiber optic network presently represents an advantage. Although the Group is preparing for this deployment by improving its product range and building out its fiber network, such deployment could have a material adverse effect on the Group's business, financial position and results of operations.

Prolonged weakness or deterioration in macroeconomic conditions in France could have a negative effect on the Group's business, financial position and results of operations.

The Group earns all of its revenues in France. It is therefore highly dependent on the economic trends in France. On November 8, 2013 Standard & Poor's Ratings Services downgraded France's sovereign debt rating by one notch to AA. On December 13, 2014, France was downgraded by Fitch by one notch to AA. On September 18, 2015, France was downgraded by Moody's by one notch to Aa2. There can be no guarantee that there will not be a downgrade of France's sovereign debt rating in the future.

Poor performance of the French economy, particularly due to a possible resurgence of the euro zone debt crisis, could have a direct negative impact on consumer spending habits and on businesses in relation to products and their usage levels. Such poor performance could (i) make it more difficult for the Group to capture new subscribers and customers, (ii) increase the likelihood that some subscribers or customers of the Group might reduce the level of subscribed services or terminate their subscriptions and (iii) make it more difficult for the Group to keep its ARPU or its B2B prices at current levels.

The reputation and financial position of the Group may be affected by problems with the quality of products and services and their availability.

Many products and services of the Group are produced and/or maintained using complex and precise technological processes. These complex products and services may contain defects or experience failures when first introduced or when new or improved versions are released. Despite the testing procedures it has implemented, the Group cannot guarantee that faults will not be found in its new products and services after their launch. Such faults could result in a loss or delay in market acceptance of the Group's products and services, increased costs associated with customer support, delays in service, delayed revenue generation or lost revenue, defective products eliminated from inventories and replacement costs, or could undermine the reputation of the Group with its customers and the industry.

Any loss of confidence by customers in the Group may cause sales of its other products and services to drop significantly. Furthermore, the Group may have difficulty identifying customers of defective products and services. As a result, it could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect the Group's results of operations.

Furthermore, the demand the Group's products or the products it offers as part of its services, including TV decoders, high-speed routers, mobile handsets, among others, may increase rapidly. The Group may fail to accurately estimate the demand for those products and services, which could results in a temporary shortage of supply leading to a drop in new subscriptions for the Group's services and could have a material adverse impact on the Group's results of operation.

Customer churn, or the threat of customer churn, may adversely affect the Group's business.

Customer churn is a measure of the number of customers who stop subscribing for one or more of the Group's products or services. Churn arises mainly as a result of the contractual subscription period (generally 12 months in the B2C segment and between one and three years in the B2B segment), competitive influences, the relocation of clients outside of the Group's network area (which is less extensive than its competitors), mortality and price increases. Customer churn may also increase if the Group is unable to deliver satisfactory services over its network, or if it modifies the types of services it makes available in a certain region. In addition, customer churn also arises upon the cancellation of services to customers who are delinquent in their payments to the Group. Any interruption of the Group's services, including the removal or unavailability of programming, which may not be under the Group's control, or other customer service problems could contribute to an increase in customer churn or inhibit the Group's goal of reducing customer churn. In addition, the Group outsources many of its customer service functions to third party contractors over which it has less control than if it were performing those tasks itself. We have experienced signficiant churn in mobile customers in recent years due to intense competition in the mobile segment. Moreover, the churn rate in the Group's white label business may increase for reasons outside the Group's control (as it is not involved in client services and retention). In particular, churn in Bouygues Telecom's DSL white label customers has already led to a decrease in white label subscribers, which is expected to continue in the long term (see "*Business of the Group—Material Contracts—White Label Agreements*"). The B2B segment is also subject to "tariff churn" (i.e., an existing customer negotiating tariff decreases). Large corporate customers in particular are highly sophisticated and often aggressive in seeking to renegotiate the pricing of their contracts leading to margin pressure. Any increase in customer churn could have a material adverse effect on revenues and an even greater impact on margins due to the fixed cost nature of the Group's business.

The Group's future revenue growth depends in part on market acceptance of new product introductions and product innovations.

In general, the telecommunications industry is characterized by the frequent introduction of new products and services or upgrading of existing products and services in connection with new technologies, as well as changes in usage patterns and in customer needs and priorities. The Group's long term results of operations therefore depend substantially upon its ability to continue to conceive, design, source and market new products and services as well as continuing market acceptance of its existing and future products and services. Should the Group fail to or be significantly delayed in introducing new products and services in the future, if its new products and services are not accepted by customers or if its competitors introduce more sophisticated or more popular products and services, its business and results of operations may be adversely affected.

The Group might not be able to respond appropriately to technological developments.

To remain competitive, the Group must continue to increase and improve the functionality, availability, and characteristics of its network, particularly by improving its bandwidth capacity and its 4G coverage to meet the growing demand for the services that require very-high-speed telephony and internet services.

In general, the telecommunications industry is facing challenges relating to:

- rapid, significant technological evolution;
- frequent improvement of existing products or services resulting from the emergence of new technologies; and
- the establishment of new industry practices and standards that make current systems and technologies obsolete.

While the Group attempts to stay ahead of the market, closely following technological developments and making investments implementing such developments, it is difficult to forecast the effect that technical innovations will have on the Group's business. The Group may also be unable to adapt to new or existing technologies to meet customer needs within an appropriate time frame, or a competitor may do so before the Group does, which could have a material adverse effect on the

Group's business, financial condition and results of operations. The Group may also be required to incur additional marketing and customer service costs in order to retain and attract existing customers to any upgraded products and services it offers, as well as to respond to competitors' advertising pressure and potentially more extensive marketing campaigns, which may adversely affect the Group's margins.

The Group cannot exclude the possibility that there may be risk or litigation in the event of defective software or a claim by a third party as to software ownership.

In contrast to more traditional licences of standard (so-called "proprietary") software, users of open source software ("OSS") are generally permitted by the licensor to access, copy, modify and distribute the underlying source code. Such broad rights are usually (such as in the GNU General Public License) subject to the requirement that users not place any additional restrictions on access to the source code in any onward distribution of the software, and that such onward licensing be on the original licence terms.

OSS is commonly viewed as having two major risks. First, the OSS license usually also covers onward distributions of derivative works (based on the original OSS), with the result that proprietary software integrated with the OSS becomes "infected" and the entire integrated software program (OSS and proprietary software components) is covered by the OSS license. One notable result of this is that the publisher or distributor of the derivative work would have to make available the source code of the entire work, including the proprietary software portions. The second commonly viewed risk is that OSS software is usually licensed "as is" without any contractual warranties.

As a result, the Group would bear the risks in the event of defects with any OSS that we utilize in our products and services without necessarily having any contractual recourse. Further, if the Group integrates OSS into any of the software that it publishes or distributes, then the use by the Group of OSS could have an impact on the ownership of the intellectual property in such software, particularly in terms of exclusivity, as the refusal to disclose any modifications made could be characterized as an infringement of the OSS license. Moreover, the Group cannot rule out any risk of a request for disclosure or the request by a third party to access the modifications of the source code performed on such software. This situation could have a material adverse effect on the Group's business, financial position, results of operations or outlook.

The Group cannot exclude the possibility of intellectual property infringement claims by "patent trolls".

The Group may be the target of so-called "patent trolls" (also referred to as "non-practicing entities"), which have as their core business the acquisition of patents and licenses, without actively producing goods or providing services, and commonly litigate alleging that such patents or licenses have been infringed. The Group cannot exclude the possibility of risk from contentious claims from patent trolls, which could have a material adverse effect on the Group's business activities, financial condition and results of operation.

Risks Relating to the Group's Business

The Group might not be able to effectively implement or adapt its business strategy following acquisitions.

The Group has based its strategy on its vision of the market, especially the importance of very-high-speed fiber and mobile networks and of fixed-mobile convergence. However, the Group is evolving in a market affected by economic, competitive and regulatory instability and the Group must regularly adapt its business model to take into account market changes such as the development of specific pricing policies, the adaptation of its structural costs, the streamlining of its operational organization, and the adaptation of its sales strategy. If the measures taken by the Group do not meet the demands, expectations, or habits of the consumer, it will have an adverse effect on the return on investments made, on financial targets, on market share, and on revenues generated. Consequently, any development of the Group's business strategy that proves not to be sufficiently adapted to the actual trends and to the demands, expectations, or habits of the consumer in the telecommunications market may have a material adverse effect on its business, financial position and results of operations.

Moreover, the ongoing transformation of the Group following the integration of SFR, and to a lesser extent Virgin Mobile, or any future acquisition, could create operational difficulties and unforeseen expenses and could give rise to significant administrative, financial, and managerial challenges involving the activity of the Group. Such challenges include:

- profitable integration at the heart of the Group's current business, including matters involving network infrastructure, information and financial control systems, marketing, branding, distribution network, customer service, and products and service offerings;
- legal, regulatory, contractual, labor, or other difficulties resulting from the acquisition that have not been foreseen or disclosed;
- integration of employees from different entities and corporate cultures;
- retention and/or renewal of material contracts with business partners, suppliers, and certain B2B customers; and
- retention, recruitment, and training of key personnel, including the management teams of the entities acquired.

The inability of the Group to effectively integrate SFR, and to a lesser extent Virgin Mobile, or any future acquisition, into the Group could have a material adverse effect on its financial condition and results of operations.

The Group faces risks relating to its strategy of pursuing external growth opportunities.

The Group's strategy includes the pursuit of external growth opportunities. In this regard, the Group has already undertaken very significant acquisition projects that position it as one of the players in the consolidation of these markets in France. In particular, on November 27, 2014 and December 5, 2014 the Group acquired SFR and Virgin Mobile, respectively. The acquisitions or combinations pursued by the Group may be transformative in nature. The success of this strategy of pursuing strategic opportunities through selective acquisitions or other combinations depends on the ability of the Group to identify the appropriate targets, audit such targets appropriately, negotiate favorable terms, and lastly carry out these transactions and integrate the new acquisitions. In addition, future consolidations in the sectors where the Group operates will reduce opportunities for acquisitions or combinations. The Group believes that some of its competitors are implementing similar acquisition strategies and these competitors may have greater financial resources to make investments or may be able to accept less favorable terms than the Group, thus depriving the Group of opportunities and reducing the number of potential acquisition targets. The implementation of the Group's acquisition strategy could increase the level of indebtedness of the Group, which could create new or intensify existing risks faced by the Group (see "*—Risks Relating to the Group's Financial Profile*"*).* Furthermore, the Group's ability to make acquisitions is limited by its financing agreements. See "*Description of Other Indebtedness*".

In general, the process of integrating businesses may be detrimental to the activities of the Group and may have a material adverse effect on its results of operations. If the Group is not able to implement its acquisition strategy or successfully integrate the businesses acquired, this could have a material adverse effect on the Group's business, results of operations and financial condition.

Revenue from certain of the Group's services is declining, and the Group may be unable to offset this decline.

On a *pro forma* basis, our revenues in the B2C (fixed and mobile) and B2B (fixed and mobile) segments declined in the year ended December 31, 2015 compared to the year ended December 31, 2014. There can be no assurance that this trend will not continue in future periods.

The Group expects its DSL business with Bouygues Telecom to continue to decline. In particular, churn in Bouygues Telecom's DSL white label customers has already led to a decrease in white label subscribers. If the revenue and profitability loss from such businesses is not offset by revenue and profitability growth in other Group businesses, this could have a material adverse effect on the Group's business activities, the results of operation and financial condition.

In addition, the Group could experience further decreases in customers on its DSL network in the future due to their migration to fiber networks providing them with access to greater internet speeds compared with those available on DSL networks. If the revenue and profitability loss from customers on the Group's DSL network is not offset by revenue and profitability growth on the Group's fiber network, this could have a material adverse effect on the Group's business activities, the results of operation and financial condition.

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

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

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

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

The Group has no guaranteed access to content and is dependent on its relations and cooperation with content providers and broadcasters.

In the B2C segment, the success of the Group depends, among other things, on the quality and variety of the content that it offers to its subscribers. The Group does not produce its own content and is dependent on broadcasters for its programming. In order to offer programs broadcast on the Group's network, the Group has entered into distribution agreements with public and private broadcasters for the transmission of analog and digital signals, both free and pay. The Group depends on broadcasters for the supply of programs to attract subscribers. Program suppliers may have considerable power to renegotiate the prices charged by the Group for the distribution of their products and the license fees that are paid to them. The term of these distribution agreements varies between one and four years. For example, certain agreements with Canal+ expire in 2016 and 2017. The Group may not be able to renegotiate these distribution agreements on terms as favorable as those of the current agreements, which could result in a decline in the revenue generated by the distribution agreements or an increase in the Group's costs deriving from broadcaster licenses. Furthermore, content providers and broadcasters may choose to broadcast their programming through other platforms such as the CanalSat satellite platform or TNT broadcasting, or to enter into exclusive distribution agreements with other distributors, which may limit the competitive advantage of the Group as the sole provider of bundled offerings of content similar to what is offered by CanalSat without additional cost.

The Group intends to negotiate new contracts to expand its TV services beyond the cable channel packages that it currently distributes and thus improve its existing range of program offerings. The rights attached to a large selection of premium and/or high-definition ("HD") content are, however, already held by competing distributors and to the extent that these competitors obtain exclusives for program broadcasting, the availability of new programs for the Group could prove limited. In addition, as long as the Group continues to develop its video-on-demand ("VOD") and other interactive services, its ability to acquire programs for its free VOD offerings (replay), VOD by subscription, and one-time VOD will become more and more crucial and will depend on the ability of the Group to maintain a relationship and cooperation with content providers and broadcasters, for both standard-definition ("SD") as well as HD content.

If the Group cannot obtain and keep competitive programs at attractive prices on its networks, demand for its television services could decline, thus limiting its ability to maintain or increase the revenue deriving from these services. A loss of programs or an inability to ensure the availability of premium content under favorable terms could have a material adverse effect on the business activities of the Group, its financial position and its results of operations.

The reputation of the Group is in part dependent on the relationship of the Group with its third party providers.

The Group relies on third-party suppliers to provide services to its customers and to perform its business activities. Any delay or failure by such third parties in providing services or products, any increase in the prices charged to the Group, or any decision not to renew their contracts with the Group could lead to delays or interruptions in the activities of the Group, which could damage the reputation of the Group and result in the loss of revenue and/or customers.

The Group utilizes suppliers of equipment and software, including suppliers of TV decoders, conditional access system suppliers, as well as suppliers of high-speed routers and mobile terminals. The Group also employs the services of subcontractors to maintain its network, manage its call centers, and supply, install, and maintain equipment set up at private households and at the premises of B2B customers. Although the Group works with a limited number of subcontractors, who are carefully selected and supervised, it cannot guarantee the quality of the services or that these services will comply with the quality and safety standards imposed by the Group or required by other contracting parties. If there are defects in the equipment or software or the services involving these products, or if the tasks of the subcontractors of the Group are not performed properly, it may be difficult or even impossible to make a claim against the suppliers or subcontractors, particularly if the warranties provided for in the contracts entered into with suppliers or subcontractors are not as extensive as those contained in the contracts entered into between the Group and its customers in certain specific cases or if these suppliers or subcontractors are insolvent or have suspended payments. These difficulties could undermine relations between the Group and its customers, as well as the reputation of the Group's brand.

Like many companies in the telecommunications industry, the Group is also dependent on some of its competitors. In particular, the Group depends on Orange to access a portion of its network infrastructure, on Bouygues Telecom for access to certain mobile networks and on Canal+ Group, with which the Group has entered into a number of contracts for the supply of content. See "*Business of the Group—Material Contracts*". The Group might not be able to renew these contracts or to renew them under favorable terms. In many cases the Group has made significant investments in the equipment or software of a particular supplier, which makes it more difficult to rapidly change its procurements or maintenance services if its original supplier refuses to offer it favorable prices or ceases to produce equipment or provide services that the Group requires.

The Group cannot guarantee acquisition of the equipment, software, and services necessary for its business under competitive terms and in appropriate quantities. If any of these risks materializes technical problems could arise, the Group's reputation could be impaired, customers could be lost, and there could be a material adverse effect on the business activities of the Group, its financial position and its results of operations. See "*Business of the Group—Suppliers*".

The continuity of the Group's services strongly depends on the proper functioning of its IT and network infrastructure and any failure of this infrastructure could have a material adverse effect on the business of the Group, its financial position and its results of operations.

The reliability and quality (both in terms of service as well as availability) of the Group's information systems and networks, particularly for its mobile and fixed businesses, are key components of its business activities, the continuity of its services and the confidence of its customers. More specifically, the unavailability or failure of information systems used by the Group, the Group's network, the production of "electronic" communications services and television, the Group's website, and the customer service function of the Group, could significantly disrupt the Group's business.

A flood, fire, other natural disaster, act of terrorism, power failure, computer virus or other catastrophe affecting a portion of the Group's network could have a material adverse impact on its business and its relations with customers. Measures with the aim of remedying such disasters, safety and security measures, or measures for protecting service continuity that have been undertaken or may be undertaken in the future by the Group, as well as the effects thereof on the performance of its network, could be insufficient to avoid generating losses. The Group is insured against operating losses up to a capped amount. Any disaster or other damage affecting the network of the Group could result in significant uninsured losses. The Group's network may be subjected to disruptions and to significant technological problems, and such difficulties could escalate over time. For example, although the Group's 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 the Group's 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 the Group's network components. The occurrence of any such event could cause interruptions in service or reduce capacity for customers, either of which could reduce the Group's revenue or cause the Group to incur additional expenses. In addition, the occurrence of any such event may subject us to penalties and other sanctions imposed by regulators. Further, the Group may incur costs and revenue losses associated with the unauthorized use of the Group's networks, including administrative and capital costs associated with the unpaid use of the Group's networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

In addition, the Group's business depends on certain crucial systems, particularly its network operations center and its billing and customer service systems. In particular, the support for a large number of systems critical to the network of the Group is located at a relatively limited number of sites. While the Group has extensive backup systems, the risk that these systems may not be sufficient to handle a spike in activity cannot be ruled out, which could lead to a slowdown or unavailability of IT systems for a period of time and, when involving the B2B customers of the Group, to financial penalties. Moreover, we may incur legal penalties 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 the inappropriate disclosure of confidential information.

Moreover, the technical projects of the Group that are in progress, involving both information systems and networks, and the plans for migrations planned in the short and medium terms for certain pieces of mobile network equipment, may generate an increased risk of failures of networks and information systems. In particular, the quality of the networks could be impacted by the deployment of the 4G network as well as by the concurrent work of renovating 2G and 3G networks, requiring, among other things, frequent technical interventions. Such work could also result in breakdowns or interruptions in services for the customers of the Group.

Furthermore, the development of the resources used by consumers (for example, videoconferencing, telepresence, and cloud computing for B2B customers), of the "Internet of Things", and of new terminals (smartphones, tablets, etc.) may generate risks of saturating the networks due to the large volumes of data that such resources generate or promote the use of.

The end-of-year period is an extremely sensitive sales period. A major failure of the information systems or of any component of the chain of production and logistics during that period would have negative consequences on revenues. To reduce the likelihood of this type of risk occurring, the Group avoids changes to the network and information systems during this period of the year (starting in mid-November until the end of the year), however, there can be no assurance that there will be no failure of the Group's network and information systems during the end-of-year period.

Should all or some of the risks described above materialize, this could have a material adverse effect on our business, financial condition and results of operations.

The Group's reputation and business could be materially harmed as a result of, and the Group could be held liable, including criminally liable, for, data loss, data theft, unauthorized access or successful hacking.

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

If third parties attempt, or manage, to bring down any of the Group's information technology systems or gain access to its information technology systems, they may be able to misappropriate confidential information, cause interruptions in the Group's operations, access the Group's services without paying, damage its computers or otherwise damage its reputation and business. While the Group continues to invest in measures to protect its networks, any such unauthorized access to its cable television service could result in a loss of revenue, and any failure to respond to security breaches could result in consequences under the Group's agreements with content providers, all of which could have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, as an electronic communications services provider, the Group may be held liable for the loss, release or inappropriate modification or storage conditions of customer data or the wider public, which are carried by its network or stored on its infrastructures. In such circumstances, the Group could be held liable or be subject to litigation, penalties, including the payment of damages and interest, and adverse publicity that could adversely affect its business, financial condition and results of operations.

The Group may be held liable for the content hosted on their respective infrastructures or transmitted by their networks.

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

The Group's business requires significant capital expenditures.

The Group's business demands significant capital expenditures. In particular, the Group incurs significant capital expenses for the deployment of new technologies such as 4G (for the purchase of frequencies and the deployment of network infrastructures) for its mobile operations and fiber optics (for the deployment of the fiber infrastructure) and for its fixed operations. For example, on November 24. 2015 through Decision No 2015-1454, ARCEP accepted the application of SFR for the acquisition of 2x5 MHz in the 700 MHz band. The frequency use permit has been issued by ARCEP on December 8, 2015 through Decision No. 2015-1569. On that date the license was capitalized in the amount of €466 million (excluding spectrum redevelopment costs). As spectrum auctions are infrequent and we may need additional spectrum in the future, we will likely participate in future spectrum auctions even though we might not, at the time of auction, require additional spectrum capacity. The Group's participation would require significant capital expenditures in the near term as acquiring spectrum is expensive, due in part to the fact that spectrum availability is limited. The Group also plans to continue to modernize and expand the scope of its fiber network to reach 22 million fiber connections by the end of 2022. The Group also continues to invest in improving the quality of its mobile network and expanding its 4G network and plans to expand its 4G network to cover 99% of the French population by 2017.

In addition, the Group is required to adhere to certain commitments to the coverage and deployment of the network under its mobile licenses, which also requires it to make significant and constant large investments.

Furthermore, new technologies and the use of multiple applications increase customers' bandwidth requirements, could lead to a saturation of the networks and require telecommunications operators to make additional investments to increase the capacity of their infrastructures. The structure of the French telecommunications market does not allow telecommunications operators to pass along their investment costs to the end consumer in proportion to the volume of data consumed. Accordingly, telecommunications operators may not benefit from increased revenues from the growing demand for desks and content even though they incur the costs of such demand through their investments in infrastructure.

The Group is also bound by certain obligations of access and/or coverage for its fiber and/or mobile network, particularly under its mobile licenses, such as obligations to allow roaming or sharing of networks in certain deployment zones. The conditions for the implementation of these obligations may be regulated and some prices are regulated, such as roaming rates, within the European Union. Given such constraints, the Group may not be able to operate its network under economically favorable conditions, which could affect the profitability of its investments.

It cannot be guaranteed that the Group will continue to have sufficient resources to maintain the quality of its network and of its other products and services, and to expand its network coverage, which are key elements for the growth of the Group over the long term. Unforeseen investment expenses, an inability to finance them at an acceptable cost or even an inability to make profitable investments could have a material adverse effect on the business of the Group, its outlook, financial position or results of operations.

The risks connected with the environment and exposure to telecommunications electromagnetic fields are subjects of public opinion concern.

The Group operates several facilities classified by the government as ICPEs (*installation classée pour la protection de l'environnement*) in mainland France, particularly its data centers. The Group remains attentive to environmental risks that might arise or be discovered in the future and it has adopted programs aimed at ensuring compliance with applicable environmental regulations. Environmental and health concerns are expressed in numerous countries and particularly arise in the context of the deployment of mobile technology by mobile operators. A number of studies have been conducted to examine the health effects of mobile phone use and network sites, and some of these studies have been construed as indicating that radiation from mobile phone use causes adverse health effects. The World Health Organization has classified the radio frequency of electromagnetic fields, linked particularly with the use of cordless phones, as "possibly carcinogenic to humans", but, to date, no adverse health effects have been established as being caused by mobile phone use.

The fears generated by the potential health risks connected with electromagnetic waves could also lead third parties to act against the Group by, for example, bringing actions demanding the withdrawal of antennas or towers, which could affect the Group's conduct of operations and the deployment of our network, and could have a material adverse effect on the Group's business, financial position and results of operations. Moreover, if it is ever determined that the abovementioned health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other mobile technology or handsets, this would have a material adverse effect on the Group's business, operations and financial condition, including through exposure to potential liability.

Possible labor conflicts could disrupt the activities of the Group, affect its image or make the operation of its facilities more costly.

As of December 31, 2015, the Group had 16,168 employees, some of whom are union members. The Group may have to negotiate at length with unions and works councils, and may suffer strikes, labor conflicts, work stoppages and other labor action, and it may also encounter difficulties in attracting and keeping staff due to local or general strikes. Strikes and other labor action, as well as the negotiating of new collective bargaining agreements or wage negotiations, could disrupt the activities of the Group and have a material adverse effect on the Group's business, financial position and results of operations.

The Group is active in very competitive markets that are constantly evolving, thus requiring its constant adaptation to, anticipation and adoption of new operational practices and technologies to preserve its competitiveness and its efficiency. This entails regular changes in organizations, which requires adaptation on the part of the human resources involved. In particular, this process demands an ability to mobilize skills and motivate and orient teams toward the objectives of the Group. As a result, in such instance the activities of the Group may sometimes be affected by a deterioration of the labor relations with its employees, staff representative bodies or labor unions.

In this context, certain Group structures have to consult their staff representative bodies, or will have to do so, in order to successfully execute its current and future projects, which is likely to slow down the performance of certain operations.

The Group also faces the risk of strikes called by employees of its main suppliers of equipment or services, as well as its facility providers, the latter generally organized in regional unions, which could lead to interruptions in the services of Group. Although the Group pays particular attention to its labor relations, the Group cannot guarantee that labor conflicts of difficulties in keeping its staff will not have a material adverse effect on its business and, potentially, its results of operations and its financial position.

The possible inability of the Group to protect its image, reputation and brand and intellectual property could have a material adverse effect on its business.

The brands under which we sell our products and services, including "Numericable", "Completel", "SFR", "RED by SFR" and associated brands are well recognized brands in France. For a description of the Group's brands and offers, see "*Business of the Group—Description of the Group's Operations*".

These brands have been developed through extensive marketing campaigns, website promotions and customer referrals, and the use of a dedicated sales force and dealer networks. The Group's success depends on its ability to maintain and enhance the image and reputation of its existing products and services and to develop a favorable image and reputation for new products and services. The image and reputation of the Group's products and services may be adversely affected by several factors, including if concerns arise about (i) the quality, reliability and benefit/cost balance of its products and services, (ii) the quality of its support centers or (iii) its ability to deliver the level of service advertised. An event or series of events that threatens the reputation of one or more of the Group's brands, or one or more of the Group's products could have an adverse effect on the value of that brand or product and subsequent revenues therefrom. Restoring the image and reputation of the Group's products and services may be costly and not always possible.

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

The loss of certain employees and key executives could be detrimental to the business of the Group.

The Group benefits from the services of experienced employees, both administrative and operational, who have a thorough knowledge of its business, particularly the members of its Executive Committee that has led the Group for several years, and the B2B segment, which is characterized by complex installations and the importance of customer relations. There can be no guarantee that the Group will succeed in keeping such employees or that it will recruit and train adequate replacements without excessive cost and delay. Consequently, the loss of any such key employees could lead to significant disruptions in the commercial activities of the Group which could have a material adverse effect on its results of operations. Moreover, the Group has undertaken a simplification of its organization and implemented certain operating synergies measures. This transformation plan involves numerous situations of internal mobility, which may result in employee dissatisfaction or loss of personnel. For example, in 2012, the Group moved its B2B segment engineers from Champs sur Marne to Rouen, and experienced a significant loss of personnel as a result, which adversely affected the level of installations and results in the first half of 2012. There can be no guarantee that the Group will not experience employee dissatisfaction or personnel loss in the future. In 2015, the Group launched a reconciliation program for employees in its office in Saint Denis.

The Group's employees may engage in misconduct or other improper activities, which could harm the Group's business.

We are exposed to instances of employee fraud, including, but not limited to, payroll fraud, falsification of expense claims, thefts of cash, assets or intellectual property and false accounting. Individual employees may also act against the Group's instructions and either inadvertently or deliberately violate applicable law, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients, or the Group's internal policies. In addition, because we delegate a number of operational responsibilities to the Group's subsidiaries and the Group's local managers retain substantial autonomy regarding the management of the Group's operations in their markets, we may face an increased likelihood of the risks described above occurring.

The Group is exposed to risks of consumer fraud.

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

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

Risks Relating to the Group's Financial Profile

The Group's significant leverage may make it difficult for us to service our debt, including the Notes, and operate our business.

The Group currently has a substantial amount of debt. As of December 31, 2015, the total amount of financial liabilities (without giving effect to the impact of derivative instruments) of the Group amounted to €16,908 million (equivalent), after giving effect to the Transactions. See "*Capitalization*". The Group's significant indebtedness could have important consequences, making it more difficult for the Group to satisfy its obligations under the Notes, including:

- requiring the Group to devote a significant portion of its cash flow deriving from its operations to the repayment of its debt, thus reducing the availability of the Group's cash flows for financing internal growth using working capital and investments and for other general business requirements;
- impeding the Group's ability to compete with other providers of pay-TV, broadband internet services, fixed line telephony services, mobile services and B2B services in the regions in which it operates;
- restricting the Group from exploiting business opportunities or making acquisitions or investments;
- increasing the vulnerability of the Group to a business slowdown or to economic or industrial circumstances;
- limiting the Group's flexibility in planning for or reacting to changes in its business and its sector;
- adversely affecting public perception of the Group and its brands;
- limiting the ability of the Group to make investments in its growth, especially those aimed at modernizing its network; and
- in particular, limiting the Group's ability to borrow additional funds in the future and to increase the costs of such additional financing, especially due to restrictive clauses in our current debt agreements.

These risks could have a material adverse effect on the ability of the Group to satisfy its debt obligations, including its obligations under the Notes, as well as on its business, results of operations and financial position.

The Group may not be able to generate sufficient cash flows to service its debt.

The ability of the Group to service its debt and to finance its operations in progress will depend on its ability to generate cash flows. The ability of the Group to generate cash flows and finance its capital expenditures, current operations, and debt service obligations depends on numerous factors, including:

- its future operating performance;
- the demand and price levels for its current and projected products and services;
- its ability to maintain the level of technical capacity required on its networks and the subscriber equipment and other pertinent equipment connected to the Group's networks;
- its ability to successfully introduce new products and services;
- its ability to reduce the churn rate;
- the general economic conditions and other circumstances affecting consumer spending;
- competition;
- sufficient distributable reserves, in accordance with applicable law;
- the outcome of certain disputes in which it is involved; and
- legal, tax and regulatory developments affecting the Group's business.

Some of these factors are beyond the control of the Group. If the Group is not able to generate sufficient cash flows it might not be able to repay its debt, expand its business, respond to competitive challenges, or finance its other cash and capital requirements, including capital expenditures. If the Group is not able to meet its debt service obligations, it might have to sell off assets, attempt to restructure or refinance its existing debt or seek additional financing in the form of debt or equity. The Group may not be able to do so in a satisfactory manner or at all.

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

Of the €16,908 million (equivalent) of total borrowings the Group would have had outstanding as of December 31, 2015 (without giving effect to the impact of derivative instruments), as adjusted to give effect to the Transactions, the offering of the Notes and the application of the proceeds thereof, the €6,781 million (equivalent) of borrowings under the Existing Term Loans (excluding accrued interest and amortization of fees and expenses), any borrowings outstanding under the Existing Revolving Credit Facilities and €7,872 million aggregate principal amount of Existing Notes (excluding accrued interest and amortization of fees and expenses) will mature prior to the maturity dates of the Notes offered hereby. See "*Capitalization*".

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

The Group is exposed to interest rate risks. Shifts in such rates may adversely affect its debt service obligations.

The Group is exposed to the risk of fluctuations in interest rates, primarily under the Existing Term Loans. In addition, any amounts the Group borrows under the Existing Revolving Credit Facilities will bear interest at a floating rate. An increase in the interest rates on the Group's debt will reduce the funds available to repay its debt and to finance its operations, capital expenditures and future business opportunities. Although the Group enters into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that it will be able to continue to do so at a reasonable cost.

Exchange rate fluctuations could adversely affect the Group's financial results.

The Group's businesses are exposed to fluctuations in currency exchange rates. The Group's transactional currency is euros, however, a large part of the Group's financing activity is conducted in currencies other than such primary transactional currency, particularly the U.S. dollar. The Group seeks to manage such transactional foreign currency exposures through its hedging policy in accordance with its specific business needs. There can be no guarantee that the Group's hedging strategies will adequately protect the Group's operating results from the effects of exchange rate fluctuation, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in exchange rates.

Restrictive covenants in the Indenture, the Existing Notes Indentures, the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement may restrict the Group's ability to operate its business. The Group's failure to comply with these covenants, including as a result of events beyond the Group's control, could result in an event of default that could materially and adversely affect its business, results of operations and financial condition.

The terms of the Indenture, the Existing Notes Indentures, the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement contain a number of significant covenants or other provisions that could have a material adverse effect on the Group's ability to operate its business. Subject to certain exceptions, these covenants restrict the Group's ability to, among other things:

- incur or guarantee any additional debt;
- make certain investments or acquisitions (including in joint ventures);
- dispose of assets other than in the normal course of business;
- enter into certain transactions with its affiliates;
- carry out merger or consolidation transactions;

- repurchase or redeem equity securities or subordinated debt, or issue shares in subsidiaries;
- enter into agreements limiting the ability of its subsidiaries to pay it dividends or repay intragroup loans and advances; and
- create additional pledges or security interests.

All of these limitations are subject to certain exceptions and qualifications, including those on the ability to pay dividends and make investments.

However, the restrictions referred to above could affect the ability of the Group to operate its business, react according to market conditions, or to take advantage of potential commercial opportunities that may arise. For example, these restrictions could affect the ability of the Group to finance its business, to make strategic acquisitions, investments or alliances, and to restructure its organization or finance its capital requirements. Moreover, the ability of the Group to comply with these restrictive clauses can be affected by events beyond its control, such as economic conditions and the circumstances in finance and the industry. A breach by the Group of any one of its commitments or restrictions could lead to default under the terms of one or more of its debt securities and could trigger acceleration of such debt, which in turn could trigger defaults under the Group's other debt agreements. A default under any of the agreements governing the Group's other debt could materially adversely affect the Group's growth, financial condition and results of operations.

Despite the Group's high level of indebtedness, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

The terms of the Indenture, the Existing Notes Indenture, the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement restrict, but do not prohibit, the Group from incurring additional debt. The Group may refinance its debt, and it may increase its consolidated debt for various business reasons which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt it refinances, funding distributions to its shareholders or for general corporate purposes. If new debt is added to the Group's consolidated debt described above, the related risks that the Group now faces will intensify.

Negative changes in the Group's rating could have a material adverse impact on its financial position.

A rating decline could have an adverse impact on the ability of the Group to obtain financing from financial institutions and to retain the confidence of investors and banks, and could increase the cost of financing of the Group by increasing the interest rates at which the Group could be refinanced in the future or the interest rates at which the Group is able to refinance its existing debt or take on new debt. In October 2015, the Group was downgraded by Moody's from Ba3 to B1.

Regulatory and Legal Risks

Future regulatory changes could have a material adverse effect on the Group's business.

The Group's business is subject to significant regulation and to oversight by various regulatory bodies at national and European levels. See "*Regulation*". Such regulation and oversight have a strong influence on the manner in which the Group conducts its activities. Adherence to the laws and regulations in force, and those that become applicable to the Group in the future, may increase the overhead and operating expenses of the Group, limit its ability to implement price increases, affect its ability to launch new services, force it to change its marketing approach and its sales practices and/or more generally reduce or limit its revenue.

The Group is in particular subject to the provisions of the CPCE, which imposes certain general obligations on all operators and certain specific obligations on mobile operators.

The French regulatory framework applicable to operators is also subject to the analysis of the relevant markets carried out by ARCEP which is charged with (i) defining the relevant markets in France, (ii) analyzing the markets or identifying the companies reputed for exercising significant influence on these markets and (iii) deciding whether or not to impose on these companies regulatory obligations to remedy the effects of such influence.

The Group is not considered by ARCEP to be an operator deemed to have significant influence over a relevant market, except over the markets for voice-call termination on its fixed and mobile networks.

Nevertheless, it cannot be guaranteed that the Group, in the future, will not be identified by ARCEP as an operator deemed to exercise significant power in one or more relevant markets, and that ARCEP will not therefore impose additional regulatory obligations in this regard. For example, the possibility cannot be excluded that, in the future, particularly in the context of a growth in FTTH networks, the Group may be required to grant competitors some access to its fiber optic network, under conditions to be determined.

The Group is also subject to other individual obligations resulting from the approvals to use frequencies. See "*The Group might not be able to obtain, retain or renew the licenses and authorizations necessary for performance of its activities*".

Although the Group monitors the regulations to which it is subject, the weight of the regulatory burden on "electronic" telecommunications operators, including the Group, may change and may lead to the application of different obligations in their regard depending on the level of ownership of direct access networks and the level of market power that may be more or less significant to or constrictive upon certain operators by virtue of changes in the technology used for providing services. If the Group becomes subject to regulations relatively more constrictive than its competitors, this could have a material adverse effect on its business, results of operations or financial position.

Furthermore, as an "electronic" telecommunications operator and a distributor of television services, the Group is subject to special taxes. The burden of such taxes could increase in the future due to changes in legislation. In addition, the Group cannot guarantee that additional taxes will not be instituted in the telecommunications industry.

The Group may also face legal and regulatory restrictions with regard to its marketing strategies. For example, the French authorities have imposed, by means of the ministerial order of March 1, 2016, restrictions on the use of the term "fiber" in any advertising messages and/or communications referring to non-pure optic fiber FTTH connections, including FTTB connections used by the Group. The Group intends to challenge the legality of the ministerial order before a competent court. As a result, these advertising messages and/or communications have to include an explanation of the technical specificities of the technology connection. Any future restrictions on the Group's ability to market its products or services in the way it wishes could have a material adverse effect on its business, results of operations or financial position.

The European Union will impose as of April 30, 2016, further cuts in the mobile roaming charges throughout the EEA.

The EU Regulation 531/2012, which established a rate for roaming, was amended in 2015 (the EU Regulation 2120/2015) in view of establishing new roaming rates and price ceilings that can be billed by the mobile operators from April 30, 2016. The EU Regulation 2120/2015 also established the conditions and the viability of a complete removal of retail roaming charges from June 15, 2017 which is part of the revision of the upcoming wholesale ceiling. Moreover, the regulation introduces measures relating to "Net Neutrality". A new roaming regulation regarding the regulation of wholesale markets is expected in June, 2016.

The legal status of the Group's network is complex and in certain cases subject to challenges or renewals.

The legal status of the Group's network is complex and the network is mainly governed by public law, which could affect the predictability of the Group's rights over its network. For a description of the legal status of the Group's cable network see "*Regulation—Legal Status of Networks*".

The Group's telecommunications network is essentially composed of the physical infrastructure (conduits, network head-ends, switches and radio frequency stations) in which telecommunications (mainly cable) equipment is installed. These components of the Group's network are subject to different legal regimes. As the Group does not own certain land where such physical infrastructures are located and infrastructure is established on public or private property, it has entered into concessions, rights-of-way, leases or even indefeasible rights of use ("IRUs") with the owners of the land. In order to establish a substantial part of its telecommunications network and of its wireless network, the Group has thus entered into public and private property occupancy agreements with public and private entities or holds public property occupancy permits. Under these agreements or permits, the Group may install its network equipment along roads, highways, railways or canals, for example. No transfer of ownership takes place within this framework.

Such agreements are entered into for terms that vary greatly, from 3 to 25 years. The Group does not have any right to renewal of such agreements, although the agreements with the shortest terms generally provide for tacit renewal. The Group's occupancy of public property, as is the case for all occupants of public property, is always precarious and subject to considerations beyond the Group's control. The public entities with which the Group has entered into these agreements or that have issued permits to it can thus at any time terminate these public property occupancy agreements for misconduct or for reasons of public interest and some of the agreements even exclude any compensation in such case.

If the Group fails to obtain such renewal, the company involved would be obliged, upon expiration of these agreements, (i) to return the site to its original condition upon the demand of the manager or owner of the public property involved (ii) and/or to transfer to the latter, in certain cases for the payment of compensation and in certain cases free of charge, ownership of the facilities established on the property involved.

If the Group loses all or part of the rights relating to its network, it could have a material adverse effect on the business, financial position, results of operations or outlook of the Group.

The Group faces risks arising from the outcome of various legal, administrative and regulatory proceedings.

In the ordinary course of business, the Group becomes party to litigation and other legal proceedings, including administrative and regulatory proceedings, and may be subjected to investigations and audits. Some of the proceedings against the Group may involve claims for considerable amounts and may require that the general management of the Group devote time to addressing such issues, to the detriment of managing the Group. Such proceedings may result in substantial damages and/or may impair the reputation of the Group, which may result in a decline in the demand for the services of the Group, which could have a material adverse effect on its business. The outcome of these proceedings and claims could have a material adverse effect on its financial position, its results of operations or its cash flows during the years when such disputes are decided or the sums potentially involved in them are paid. The Group may also be exposed to proceedings that could involve its independent distributor partners, as well as other telecommunications operators are so exposed.

The Group is currently involved in certain disputes and proceedings referred to in "*Business of the Group—Legal Proceedings*". Any increase in the frequency or size of such claims could have a material adverse effect on the profitability and cash flows of the Group and could have a material adverse effect on its business, results of operations and financial position.

Tax disputes and audits, adverse decisions by tax authorities or changes in tax treaties, laws, regulations or the interpretations thereof could have a material adverse effect on the results of operations and cash flows of the Group.

The Group has structured its commercial and financial activities in compliance with various regulatory obligations to which it is subject, as well as in line with its commercial and financial objectives. To the extent that the laws and regulations of the various countries in which the Group or the Group's companies are located or operate do not establish clear or definitive positions, the tax treatment applied to its activities or its intra-group reorganizations is sometimes based on interpretations of French or foreign tax regulations. The Group cannot guarantee that such interpretations will not be called into question by the competent tax administrations, which could have a material adverse effect on the financial position or results of operations of the Group. More generally, any breach of the tax regulations and laws of the countries in which the Group or the Group's companies are located or operate could result in adjustments or the payment of late fees, fines or penalties. In addition, tax laws and regulations could change and could be subjected to changes in their interpretation and in the application thereof. In particular, in the current macroeconomic environment, governmental authorities could decide to increase tax rates, to eliminate existing tax exemptions, to expand tax bases, or to introduce new taxes. As a result, the Group could undergo an increase in its tax burden if tax rates rise or if legislation or the interpretation thereof by the administration changes.

The Group is exposed to the risk of a further increase in the VAT and might not be able to pass along such increase, in full or in part, through subscription prices, and this would then have a negative impact on ARPU. Furthermore, any partial or total passing along of a possible increase would expose the Group to a risk of an increased churn rate on the part of its subscribers and could limit the recruitment of new subscribers. Such a development would be likely to have a material adverse effect on the business, financial position, results of operations or outlook of the Group.

The Group is subject to a number of sectorial taxes, including the tax on "electronic" communication operators, referred to in Article 306 bis KH of the General Tax Code. As of January 1, 2016, the rate of this tax increased from 0.9% to 1.3%.

French tax rules could limit the ability of the Group to deduct interest for tax purposes, which would be likely to reduce the net cash position of the Group.

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

Pursuant to Article 212 I (b) of the FTC, the deductibility of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC is subject to a specific requirement: if the lender is a related party to the French borrower, the latter shall demonstrate, at the French tax authorities' request, that the lender is, for the current year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related-party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes, a collective investment scheme referred to in Articles L. 214-1 to L. 214-191 of the French Monetary Code (*Code monétaire et financier*) (which includes UCITSs and AIFs as well as other collective investment schemes such as SICAVs and SPPICAVs with a single shareholder) or, subject to certain conditions, similar entities organized under foreign law.

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

The Notes issued by the Issuer should be guaranteed by a related party and as such should be treated as a related party debt for French thin capitalization purposes. The Notes should fall into the scope of the above-mentioned French thin capitalization rules and, therefore the deductibility of interest accrued under the Notes could be limited based on these rules.

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

This limitation deprived the Group of the ability to deduct approximately €152 million in 2014 and deprived the Group of the ability to deduct approximately €156 million in 2015 (on the basis of the rules in force and the information available as of the date of this Offering Memorandum).

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

The future results of operations of the Group, French tax rules, tax audits or litigation and possible intra-group reorganizations could limit the ability of the Group to make use of its tax losses and could thus reduce its net cash position.

The Group is availed of significant tax losses (described in Note 13 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 included elsewhere in this Offering Memorandum).

The ability to effectively make use of such losses will depend on a combination of factors, including (i) the ability to earn tax profits and the degree of matching between the level of such profits realized and the level of the losses, (ii) the general limitation under the terms of which the percentage of tax losses that can be carried forward and used to offset the portion of taxable profit exceeding €1 million at 50% as well as certain more specific restrictions on the use of certain categories of losses, (iii) the consequences of present or future tax disputes or audits, and (iv) possible changes in applicable laws and regulations.

The impact of these factors could increase the tax burden upon the Group and thus have an adverse effect on its cash position, the effective tax rate, the financial position and the results of operations of the Group.

The introduction into French law of a class action open to consumer protection associations could increase the exposure of the Group to material litigation.

As of October 1, 2014, French law allows consumers to join a class action brought by a consumer protection association in order to obtain compensation for property damage suffered by virtue of the activity of consumption. Considering the B2C activities of the Group, in the event of a challenge by consumers pertaining to the products or services offered by the Group, the Group could be faced, as could all operators in the industry, with possible class actions joining numerous customers desiring to obtain compensation for possible harm. Under such circumstance, if damages or prohibited practices are proven or even merely alleged the Group could face significant amounts in claims. Moreover, such actions could undermine the reputation of the Group.

The Group is subject to requirements in terms of protection of personal data and data security.

Within the context of its business activities, the Group must collect and process personal data. The French Data Protection Law of January 6, 1978 imposes obligations on whoever is responsible for the processing of data (that is, the entity that determines the purposes of the data processing and the procedures for processing the data) involving the personal data of individuals, the obtaining of their consent with respect to such processing (especially for the use of cookies) and carrying out the necessary formalities for disclosure and transfer of data outside of the European Union. Any breach of these obligations may lead to criminal and financial penalties against the Group and damage to its reputation. The French Data Protection Law also requires that providers of "electronic" communications accessible to the public, such as the Group, give notice of any breach in security. Violation of these obligations could lead to legal action against the Group. In addition, on December 15, 2015, the EU Commission, Parliament and Council of Ministers reached agreement on the General Data Protection Regulation ("GDPR"). It is expected that the GDPR will be formally approved by the EU institutions and published in the Official Journal during the first semester of 2016. The GDPR would come into force two years and twenty days from the date of publication. This regulation will have a major impact on the procedures and implementation of the processing of personal data by the Group and will significantly increase the penalties that could be imposed upon the Group if the new rules are not adhered to. These changes to the regulation of the processing of personal data could have a material adverse effect on the Group's business, financial position and results of operations.

The Group does business in the hosting of data relating to the health of individuals, which subjects it to the specific obligations provided for by the Public Health Code such as obtaining and maintaining authorization for the hosting of such data. If the Group breaches its obligations or fails to adhere to the requirements applicable to personal data processing, it may be subjected to criminal and financial penalties likely to have a material adverse impact on the Group's business, financial position and results of operations.

In its judgment on October 6, 2015 (known as the "Schrems Judgment"), the European Court of Justice overturned the decision by the European Commission that the transfer of European personal data to the United States under the "Safe Harbor" framework provides an adequate level of protection. The successor "Privacy Shield" agreement recently negotiated by representatives of the European Union and the United States has not yet been ratified by either party and, even if ratified, could be overturned by a judgment of the European Court of Justice if the latter finds that such agreement does not assure an adequate level of protection to European personal data. The potential illegality of transferring European personal data to the United States could impact the Group's business and results.

Despite the measures adopted by the Group to protect the confidentiality and security of data, there remains the risk of possible attacks or breaches of data processing systems, which could give rise to penalties and damage its reputation. The Group could be compelled to incur additional costs in order to protect itself against these risks or to mitigate the consequences thereof, which could in turn have a material adverse impact on its business, financial position, results of operations or outlook. Furthermore, any loss of confidence on the part of the customers of the Group as a result of such events could lead to a significant decline in sales and have a material adverse impact on the Group's business, financial position and results of operations.

The Group is dependent upon its intellectual property rights, which might not be adequately protected.

The Group holds a sizeable and diversified portfolio of trademarks, patents, designs and patterns, and domain names. The Group's operations are based to a large extent on its intellectual property rights and the Group pursues an active policy of protecting and managing them.

The Group holds (in full ownership or by license) registered trademarks and patents as well as applications for trademarks and patents in the European Union, particularly in France, as well as outside the European territory (including in the United States, Japan and China). Like any party filing intellectual property rights, the Group could experience difficulties in obtaining intellectual property rights due to possible prior art or conditions relating to the registration of the relevant documentation. Furthermore, the Group cannot guarantee that filings made for obtaining intellectual property rights will result in the issuance thereof, particularly in the case of dispute by third parties in the context of opposition or nullification of rights proceedings. The rights obtained could also prove insufficient to ensure adequate protection or a competitive advantage, such as exclusivity of exploitation.

The Group may depend on its employees or third parties regarding the ownership of certain intellectual property rights.

Certain essential intellectual property rights exploited by the Group within the context of its operations are and/or could be held, however, by third parties that have granted the Group a license the terms of which limit the Group's exploitation rights and a breach of which could lead to significant litigation, particularly with respect to software. In particular, certain licensing agreements contain clauses that could put an end to the exploitation of the rights involved in the event of a change in control affecting the Group.

Despite the Group's efforts to protect its intellectual property rights, third parties could attempt to infringe upon them. The Group might have difficulty effectively protecting its rights and preventing unauthorized uses thereof, particularly in foreign countries, and this could generate significant costs.

The Group could also find itself sued for infringement of the intellectual property rights of third parties, which could result in its being ordered to cease exploitation and in a judgment against it for the resulting damages. Moreover, the telecommunications industry is characterized by a high concentration of intellectual property rights, which increases the risk of litigation resulting from the activities of the Group upon the grounds of prior rights of third parties. Therefore, just like its competitors and other companies doing business in fields requiring technological expertise, the Group is particularly exposed to the risk of proceedings initiated by patent trolls. See "*—The Group cannot exclude the possibility of intellectual property infringement claims by "patent trolls*"."

An inability on the part of the Group to succeed in effectively protecting certain important elements of its intellectual property rights and of its technology could have a material adverse effect on the activities, financial position, results of operations or outlook of the Group.

The Group might not be able to obtain, retain or renew the licenses and authorizations necessary for performance of its activities.

Some activities of the Group depend on obtaining or renewing licenses issued by regulatory authorities, particularly ARCEP in the telecommunications field and CSA in the audiovisual field.

The procedure for obtaining or renewing such licenses can be lengthy and complex. In addition, these licenses may not be able to be obtained or renewed. If the Group fails to obtain or retain, in a timely manner, the licenses necessary for performing, continuing or developing its activities, its ability to achieve its strategic objectives could be subjected to alteration.

The acquisition of licenses also represents a high cost, the timing of which varies depending on when the frequencies involved are auctioned. Furthermore, this cost could rise due to strong competitive pressure in the telecommunications field. In addition, the Group may fail to be awarded the desired use licenses, which could have an adverse effect on the Group's business, financial position, results of operations or outlook.

Moreover, under the licenses allocated to the Group's subsidiaries, the latter have committed themselves to complying with certain obligations (population coverage, sharing in some areas, roaming allowance). The Group is required to deploy a 3G and 4G generation radio network adhering to certain rates of coverage for the metropolitan population according to a given timetable. Within the framework of its 4G licenses, if certain conditions are met, the Group will eventually have to allow Free Mobile roaming on a portion of its 4G network. The Group will also have to provide coverage, in conjunction with other 800 MHz band holders and under its 2G license, for the city centers identified under the "white zones" plan, and accede to reasonable requests for network sharing in a priority deployment zone. The Group will also have to accede to reasonable requests to allow MVNOs throughout its very-high-speed mobile network open to the public in Metropolitan France. A failure to adhere to any one of these commitments could put the Group at risk under its regulatory obligations and possibly expose it to penalties (fines, total or partial suspension or withdrawal of license). This could have a material adverse effect on the Group's business, financial position, results of operations or outlook of the Group. For further information on the licenses and authorizations necessary for performance of the Group's activities, see "*Regulation*".

The Group's business activities and their development depend on the ability of the Group to enter into and maintain joint arrangements with other players in the telecommunications field.

Mobile Network Sharing Agreement between Bouygues Telecom and SFR

On January 31, 2014, Bouygues Telecom and SFR entered into an agreement to share a portion of their mobile networks (the "Network Sharing Agreement"). See "*Business of the Group—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*". This agreement aims to allow the two operators to offer their respective customers better geographic coverage and better quality of service, while optimizing costs and investments.

The first deliveries of cellular plans occurred on April 30, 2014. It was at that time that each operator first became aware of the deployment plans and technical characteristics of its partner's sites. The French Competition Authority had prohibited the exchange of technical information prior to the signing of the agreement, and the engineering guidelines had been established on the basis of assumptions that proved to be incorrect in some cases. The discussions that followed upon the initial deliveries of cellular plans led, on October 24, 2014, to adaptation of the agreement and, more specifically, of some engineering choices that had been made at the time when the initial agreement was signed. The target date for completing the network was delayed one year, from the end of 2017 to the end of 2018, to account for the time needed to make these adjustments in the target network engineering.

The Group could be exposed to various risks related to the implementation of the Network Sharing Agreement.

The Group will be dependent upon Bouygues Telecom for the part of its network that it is to be responsible for operating. In particular, it will not have of any direct operational control over the portion of the network managed by Bouygues Telecom that is to be shared. Therefore, the Group will not be able to control the quality of the network provided to the customers involved or to implement corrective measures necessary in the event of defect. In addition, the Group will be exposed to the risk of failure on the part of Bouygues Telecom.

In addition, the joint arrangement implemented could also fail to generate the expected synergies, especially in terms of geographic coverage or quality of service. Any delay in its implementation may affect the ability of the Group to achieve the aforementioned objectives of geographic coverage and quality of service. The implementation of the joint arrangement will also require significant capital expenditures and there can be no assurance that the Group will be able to make a return on such investment or recoup such investment.

Further, in the event of partial or total cessation and/or failure of the joint arrangement, the Group would have to redeploy a network in the zones covered up to that time by the Network Sharing Agreement so as to maintain its geographic coverage and the quality of its services. Such redeployment could represent a major expense for the Group. Moreover, the Group cannot guarantee that it will be able, in such a scenario, to implement coverage equivalent to that enjoyed by customers under the Network Sharing Agreement.

The competent authorities may, in the future, make decisions jeopardizing the overall economics and/or validity of the Network Sharing Agreement.

Third parties may also seek to have access to the shared network and take action against the Group and its partner. On April 29, 2014, Orange filed a complaint with the French Competition Authority with regard to the Network Sharing Agreement, alleging that it constituted an anti-competitive practice. Investigations on the merits are currently underway. For more information on these proceedings, see "*Business of the Group—Legal Proceedings—Civil and Commercial Dispute—Wholesale Disputes—Orange v. SFR and Bouygues Telecom (Network Sharing Agreement)*".

Contract relating to the GSM-R mobile telecommunications network

The Group holds a 30% minority stake in the company Synérail, which has entered into an agreement for a joint agreement with Réseau Ferré de France ("RFF") for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile telecommunications network. See "*Business of the Group—Material Contracts—Wireless Network Agreements—Agreement Related to the GSM-R Wireless Telecommunications Network*". The GSM-R project aims to set up a private telecommunications network dedicated to the needs of professionals in rail transport. It enables a European network to be created having a single communications system that is compatible and harmonized among the rail networks, replacing the existing national radio systems. This contract, with a term of 15 years starting March 24, 2010 and for a total amount of €1 billion, provides for the gradual deployment of this network. The Group is also involved as service provider in the operating phase of the GSM-R network. Delays in deployment caused by the Group or an inability to achieve the targets provided for in the contract could put the Group at risk under its contractual obligations to its key partners.

The occurrence of any one of the eventualities described above could have a material adverse effect on the Group's business, financial position, results of operations or outlook.

For a description of other material contacts related to the Group's activities, see "*Business of the Group—Material Contracts*".

The Group is dependent on its national distribution network.

The Group distributes its products and services meant for the general public and businesses directly or indirectly through its national distribution network. Within the framework of B2C activity, such distribution occurs mainly through its SFR spaces. For indirect distribution of its services the Group relies on independent partners, in which it directly or indirectly holds minority stakes.

The telecommunications market is characterized by rapid change in the habits and needs of customers. Therefore, the Group is committed to adapting its distribution network accordingly in order to respond to new market characteristics. Moreover, the Group is engaged in the reorganisation of its distribution network, namely the forthcoming closure of our Virgin Mobile and Numericable brand stores. This evolution of the distribution network involves regular adaptation of indirect distribution and thus on the part of all of its independent partners. However, some of them might not have the ability or might not wish to implement the necessary adaptations.

In addition, the Group is engaged in significant disputes with former or current partners, particularly demands to re-characterize agreements for joint arrangements as commercial agent agreements, to obtain compensation due to breakdowns in commercial relations, and to invoke the status of management employee, as well as demands from their own employees for recognition of the Group's status as employer and for application of the employment status applicable inside of the "SFR Social and Economic Unit" ("UES") convention. Although the Group has already implemented policies for adapting its contractual tools in order to prevent such risks and manage tailored protective policies, it cannot guarantee that such claims will not increase or that the factual or legal arguments put forward by SFR to rebut these claims will be received favorably by the courts. In particular, the Group may be obligated to apply its employment status outside its current UES convention. Such events could have an adverse effect on the Group's distribution network and compel it to modify it. More generally it could have a significant material adverse effect on the organization, business, financial condition, results of operations or prospects of the Group. See "*Business of the Group—Legal Proceedings—Litigation over distribution in the independent network (Consumer market and SFR Business Team)*".

Risks relating to the Notes and the Structure

The Issuer and certain 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 Notes and Guarantees.

The Issuer and certain of the Guarantors are holding companies with no business or revenue generating operations of their own. The only significant assets of the Issuer on the Issue Date will consist of cash in its bank accounts and its shares in its direct subsidiaries and various intercompany loans to its subsidiaries. As such, the Issuer will be wholly dependent upon payments under such loans and other payments from members of the Group in order to service its debt obligations under the Notes to the extent it does not have cash to meet those obligations. Furthermore, the Indenture would prohibit, and the Existing Indentures do prohibit, the Issuer from engaging in any activities other than certain limited activities.

The ability of members of the Group to make such payments will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "*Risk Factors*" and elsewhere in this Offering Memorandum. Furthermore, the payment of dividends and the making, or repayment, of loans and advances to the Issuer by the Issuer's subsidiaries are subject to various restrictions. The ability of any of the Issuer's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws, requirements that dividends must be paid out of reserves available for distribution and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. In some cases, receipt of such payments or advances may be subject to onerous tax consequences.

Although the Indenture, the Existing Indentures, the Existing Group Revolving Credit Facilities Agreement and the Existing Term Loans Agreement will limit the ability of the Issuer's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer or the Guarantors, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with the Issuer's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Issuer's subsidiaries will provide the Guarantors or the Issuer with sufficient dividends, distributions or loans to fund payments under their Guarantees or the Notes when due. See "*Description of Other Indebtedness*" and "*Description of Notes*".

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

On the Issue Date, the Notes will be guaranteed on a senior basis by the Guarantors. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of the Group's non-Guarantor subsidiaries, holders of their debt (including any intercompany loan to such subsidiaries) and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Guarantees, will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the Group's non-Guarantor subsidiaries.

The Group's non-Guarantor subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with leverage. If any of the Group's non-Guarantor subsidiaries incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of such non-Guarantor subsidiaries.

The value of the Notes Collateral may not be sufficient to satisfy the Issuer's obligations under its Notes and the obligations of the Guarantors under the Guarantees and such Notes Collateral may be reduced or diluted under certain circumstances.

In the event of liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceeding, the proceeds from the sale of the Notes Collateral that secures the Issuer's Notes and the Guarantees may not be sufficient to satisfy the Issuer's obligations under the Notes and the obligations of the Guarantors under the Guarantees. The value of the Notes Collateral and the amount that may be received upon a sale of Notes Collateral will depend upon many factors including, among others, the condition of the Notes Collateral, the ability to sell the Notes Collateral in an orderly sale, industry, market and economic conditions, whether the business is sold as a going concern, the availability of buyers and other factors. With respect to any shares of the Group's subsidiaries pledged to secure the Notes and the Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency, liquidation, winding up or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, courts could limit recoverability with respect to the Notes Collateral if they deem a portion of the interest claim usurious in violation of applicable public policy. As a result, liquidating the Notes Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes. If the proceeds of Notes Collateral were not sufficient to repay amounts outstanding under the Notes, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Notes Collateral) would only have an unsecured claim against the Issuer's and Guarantors' remaining assets. See "*—It may be difficult to realize the value of the Notes Collateral securing the Notes*."

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

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

The Intercreditor Agreement will provide for detailed enforcement mechanisms with respect to the Notes Collateral and any enforcement of the Notes Collateral will be subject in many cases to significant limitations under local law. Please see "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions—France—Limitation on Enforcement of Security Interests.*"

The security interests in the Notes Collateral have been or will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by local law.

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

In certain jurisdictions, including France, due to laws and case-law governing the creation and perfection of security interests, the relevant security documents will secure "parallel debt" obligations created under the Intercreditor Agreement in favor of the Security Agent (and not the obligations under the Notes and the Guarantees). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions—France—Limitation on Enforcement of Security Interests*."

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions, depending on the type of the security interests. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "Collateral Act 2005"), 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 Notes Collateral are or 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 Notes from repossessing and disposing of the Notes Collateral upon the occurrence of an event of default if bankruptcy proceedings are commenced by or against the relevant grantor of such Notes Collateral before the Security Agent repossesses and disposes of the Notes Collateral. See "*—Enforcing your rights as a holder of the Notes or under the Guarantees or security across may prove difficult or provide less protection than U.S. bankruptcy law*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*."

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

On the Issue Date, the Notes will be secured by the Notes Collateral.

The Notes Collateral will be subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of senior ranking security interests in the Notes Collateral securing the Notes from time to time. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Notes Collateral, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral. Furthermore, the senior ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

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

Furthermore, enforcement procedures and timing for obtaining judicial decisions in France and Luxembourg may be materially more complex and time consuming than in equivalent situations in jurisdictions with which investors may be more familiar.

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

Rights in the Notes Collateral may be adversely affected by the failure to perfect security interests in the Notes Collateral.

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party or the grantor of the security. The liens on the Notes Collateral may not be perfected with respect to the Notes and the Guarantees, as the case may be, if the Security Agent is not able to or does not take the actions necessary to perfect or maintain the perfection of any such liens. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral securing the Notes or the Guarantees, or adversely affect the priority of such security interest in favor of such debt against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Security Agent will monitor, or that we will inform the Security Agent of, the future acquisition of property and rights that constitute Notes Collateral, and that all necessary action will be taken to properly perfect the security interest in such after acquired collateral. Neither the Security Agent nor the Trustee has any obligation to monitor the acquisition of additional property or rights that should constitute Notes Collateral or the perfection of, or to take steps to perfect, any security interest therein. Such failure may result in the loss of the security interest in the Notes Collateral or adversely affect the priority of the security interest in favor of the Notes and the Guarantees against third parties including a trustee in bankruptcy and other creditors who may claim a secured interest in any part of the Notes Collateral.

Additionally, the Indenture and the Notes Collateral Documents entered into in connection with the Notes will require us to take a number of actions that might improve the perfection or priority of the liens of the Security Agent in the Notes Collateral. To the extent that the security interests created by the Notes Collateral Documents with respect to any Notes Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

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

Under various circumstances, the Guarantees will be released. See "*Description of Notes—The Note Guarantees*".

In addition, under various circumstances, the Issuer and the Guarantors will be entitled to release the security interests in respect of the Notes Collateral securing the Notes and the Guarantees. The Issuer and the Guarantors will be permitted to release and/or re-take any lien on any Notes Collateral to the extent otherwise permitted by the terms of the Indenture, the security documents governing the Notes Collateral, the agreements governing the Issuer's and Guarantors other indebtedness, or the Intercreditor Agreement or any additional intercreditor agreement. Such a release and re-taking of Notes Collateral may give rise to the start of a new hardening period in respect of the Notes Collateral and/or may be void under applicable law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*." Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Notes Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Notes Collateral and thus reduce your recovery under the Notes. See "*Description of Notes—Notes Security*".

The Issuer and the Guarantors will, in most cases, have control over the Notes Collateral securing the Notes and the Guarantees and the sale or disposal of particular assets could reduce the pool of assets securing such debt.

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

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

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

In particular, French bankruptcy laws and regulations are unfavorable to creditors in many respects. Applicable fraudulent transfer and conveyance principles, insolvency laws and limitations on the enforceability of judgments obtained in France could limit the enforceability of the Notes, of the Guarantees or of the security interests over the Notes Collateral. The insolvency court may also in certain circumstances void the security interests if insolvency proceedings have been commenced against a company incorporated in France. For a brief description of certain aspects of insolvency laws in France, see "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions—France—French insolvency laws*".

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

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

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

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

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

- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and such Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed or breach financial assistance rules or the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of the Group's subsidiaries pursuant to the Indenture.

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

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

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

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

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

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

Upon the occurrence of certain events constituting a change of control triggering event, the Issuer will be required to offer to repurchase all its outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest if any, to (but excluding) the date of purchase. If a change of control triggering event were to occur, there can be no assurances that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Group's credit facilities or other then existing contractual obligations of the Issuer would allow the Issuer to make such required repurchases. Additionally, under the Existing Revolving Credit Facilities a change of control triggering event (as defined therein) constitutes a mandatory prepayment event and an automatic cancellation of the facilities thereunder and under the Existing Term Loans a change of control triggering event (as defined therein) constitutes an event of default permitting the lenders to accelerate the maturity of borrowings under the Existing Term Loans Agreement and the commitments thereunder to lend would terminate. The Issuer's ability to pay cash to the holders of the Notes and its other indebtedness following the occurrence of a change of control triggering event may be limited by the Group's then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. Furthermore, the Issuer's ability to repurchase its Notes may be limited by law. In addition, it is expected that the Issuer would require third party financing to make an offer to repurchase the Notes upon a change of control triggering event. There can be no assurances that the Issuer would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which could, in turn, constitute a default under other agreements governing the Group's debt. See "*Description of Notes—Change of Control*".

The change of control triggering event provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transaction involving the Group that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control triggering event" as defined in the Indenture. In addition, a change of control as defined in the Indenture will not constitute a change of control triggering event unless there is a ratings decline (as defined in the Indenture) and therefore the Issuer may not be required to offer to repurchase or redeem the Notes even if there has been such a change of control. Except as described under "*Description of Notes—Change of Control*", the Indenture does not contain provisions that requires the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all of the assets of the Issuer 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 the Issuer and its restricted subsidiaries taken as a whole. In addition, holders of the Notes may not be entitled to require the Issuer to purchase its Notes in certain circumstances involving a significant change in the composition of the Issuer's board of directors, including in connection with a proxy contest, where the Issuer's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a change of control requiring a repurchase offer under the terms of the Indenture. As a result, it may be unclear as to whether a change of control or a change of control triggering event has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

There can be no assurance that an active trading market will develop for the Notes, in which case your ability to sell the Notes will be limited.

The 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 Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

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

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

Although the Issuer will agree in the Indenture to use commercially reasonable efforts to have the 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 Notes and to maintain such listing as long as such Notes are outstanding, the Issuer cannot assure you that such Notes will become or remain listed. If the Issuer unable or can no longer maintain the listing on the Luxembourg Stock Exchange, the Issuer may cease to make or maintain such listing on the Luxembourg Stock Exchange, provided that if at any time the Issuer determines that they will not maintain such listing, it will obtain prior to the delisting of such 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. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to be approved for listing or the delisting of such Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell such Notes in the secondary market.

Transactions in the Notes could be subject to the European financial transaction tax, if adopted.

On February 14, 2013, the European Commission adopted a proposal for a directive on a common financial transaction tax (the "FTT") to be implemented under the enhanced cooperation procedure by eleven Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain) (the "Participating Member States").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

In December 2015, a joint statement was issued by Participating Member States (excluding Estonia), indicating an intention to make decisions on the remaining open issues by the end of June 2016. Prospective holders of Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

Credit ratings may not reflect all risks.

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

Certain covenants may be suspended upon the occurrence of a change in the Issuer's ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes are rated Baa3 or better by Moody's and BBB- or better from Standard & Poors and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the

Indenture will not apply to the Notes: "—Limitation on Indebtedness", "—Limitation on Restricted Payments", "—Limitation on Restrictions on Distributions from Restricted Subsidiaries", "—Limitation on Sales of Assets and Subsidiary Stock", "—Limitation on Affiliate Transactions" and "—Impairment of Security Interests" and the provisions of clause (3) of the first paragraph of the covenant described under "—Merger and Consolidation—The Issuer". Notwithstanding the foregoing, if the rating assigned by any such rating agency to the Notes should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstituted as at and from the date of such rating decline.

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

Recoveries may be limited if certain provisions of the Intercreditor Agreement are held to be unenforceable

Pursuant to the terms of the Intercreditor Agreement, the holders of the Notes, the lenders under the Existing Revolving Credit Facilities and the lenders of the Existing Term Loans agree to share equally in respect of any recoveries from the Guarantors (subject to the limitations set forth in the Intercreditor Agreement). In addition, although the security interests in the Notes Collateral securing the Notes and the Guarantees will, in some cases, be junior ranking to existing liens securing the Existing Notes, the Existing Revolving Credit Facilities, the Existing Term Loans and certain hedging obligations, pursuant to the terms of the Intercreditor Agreement, the holders of the Notes, the holders of the Existing Notes, the lenders under the Existing Revolving Credit Facilities, the lenders under the Existing Term Loans and counterparties to certain hedging obligations secured on the Notes Collateral will share in recoveries from the enforcement of the security interests in the Notes Collateral on a *pari passu* basis.

However, there can be no assurance that all provisions of the Intercreditor Agreement will be held enforceable by French courts, as the enforceability of intercreditor arrangements has not been tested before the French Supreme Court (*Cour de cassation*). If any of the security interests or if any part of the sharing provisions of the Intercreditor Agreement were to be held unenforceable by French courts, you may recover less than your claims under the Notes in the event of enforcement of the Notes Collateral. For a description of the application of proceeds provisions of the Intercreditor Agreement, please see "*Description of Other Indebtedness—The Intercreditor Agreement*".

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

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

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

The Issuer is incorporated under the laws of France, and the Guarantors are organized under the laws of France, Luxembourg and the United States. It is anticipated that some or all of the directors and executive officers of the Issuer and Guarantors incorporated in France and Luxembourg will be non residents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors incorporated in France or Luxembourg or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is doubt as to the enforceability in many foreign jurisdictions of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against the Issuer, the Guarantors incorporated in France and Luxembourg, the directors, controlling persons and management and any experts named in this offering memorandum who are not residents of the United States. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

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

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

The 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 Notes unless and until Notes in registered definitive form ("Definitive Notes") are issued in exchange for book-entry interests. Instead, the nominee of the common depositary for DTC (or its nominee) will be the sole holder of the global notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Paying Agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to DTC, the Trustee or any Paying Agent will not have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to DTC or to owners of book entry-interests.

Owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, if you own a book-entry interest, you will be reliant on the nominee of the common depositary (as registered holder of 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 DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. See "*Book-Entry, Delivery and Form*".

The interests of the Issuer's controlling shareholder may differ from the interests of the holders of the Notes.

The interests of the controlling shareholder of the Issuer, in certain circumstances, may conflict with your interests as holders of the Notes. As of the date of this Offering Memorandum, Altice N.V. (through its indirect subsidiaries) owns 78.04% of the Issuer's share capital and 78.03% of voting rights in the Issuer. The remaining 21.96% of the Issuer's share capital is owned by public shareholders. When business opportunities, or risks and risk allocation arise, the interests of Altice (or its affiliates) may be different from, or in conflict with, the Group's interests on a standalone basis. Because Altice is the controlling shareholder of the Issuer, Altice may allocate certain of its risks to the Issuer or the Group and the Issuer cannot assure you that Altice will permit the Group to pursue certain business opportunities.

As a result of its controlling position, Altice has, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and day-to-day operations, as well as the ability to elect and change the Group's management and to approve any other changes to the Group's strategy, structure and operations. A change of strategy or management adversely affecting the Group's operations could indirectly have an adverse effect on the Issuer's ability to meet its obligations under the Notes. In addition, Altice has, directly or indirectly, the power to control the

Group's ability to enter into any corporate transaction and prevent any transaction that requires the approval of shareholders, regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, Altice could exercise such power to cause us to incur additional indebtedness or sell certain material assets, in each case, so long as the Group's debt instruments and the Intercreditor Agreement permit. The incurrence of additional indebtedness would increase the Group's debt service obligations and the sale of certain assets could reduce our ability to generate revenues, each of which could adversely affect the holders of the Notes.

Furthermore, Altice and its subsidiaries also have substantial indebtedness. To the extent permitted by the Indenture and other agreements governing the indebtedness of the Group, the Board of Directors of the Issuer may (in compliance with their fiduciary duties as directors of a public company) vote to distribute cash to Altice to allow it to service and repay such indebtedness. In addition, the terms of the Notes permit the Issuer to make distributions and dividends to Altice in order for it to service certain indebtedness of Altice Luxembourg S.A. so long as there has been no payment default under the Notes, or certain insolvency defaults or acceleration of the Notes, in each case, that is continuing.

Altice and its affiliates are in the business of making investments in telecommunications companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with the Group, or with which it conducts business. Altice and its affiliates may also pursue acquisition opportunities that may be complementary to the business of the Group and, as a result, those acquisition opportunities may not be available to the Group.

The Group also receives certain advisory and management services from Altice and members of its management team and may receive additional services such as customer care, technical services and other similar services from Altice and its affiliates. The Group may be required to pay management fees, franchise fees, licensing fees or other similar compensation to Altice (including members of its management team) and its affiliates for such services. In addition, the Group may also reimburse Altice and its affiliates for all expenses incurred on the Group's behalf.

You should consider that the interests of Altice and its affiliates may differ from yours in material respects. See "*Certain Relationships and Related Party Transactions*".

THE TRANSACTIONS

The “Transactions” refers to the various transactions described below, including the issuance of the Notes offered hereby and the payment of fees and expenses in connection with such transactions.

The Existing 2019 Notes Refinacing

On May 15, 2016, the Issuer will redeem a portion of the outstanding Existing 2019 Notes at a redemption price of 103.656% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date (the “Existing 2019 Notes Refinancing”). The aggregate principal amount of Existing 2019 Notes outstanding is $2,400 million.

The RCF Refinancing

On or about the Issue Date, the Issuer will prepay (or will on-lend part of the proceeds of the Notes to various of its subsidiaries, which are borrowers under the Existing Revolving Credit Facilities to enable them to prepay) €450 million of borrowings outstanding under the Existing Revolving Credit Facilities with the proceeds of the Notes (the “RCF Refinancing”).

USE OF PROCEEDS

The expected estimated sources and uses of the funds necessary to consummate the Existing 2019 Notes Refinancing and the RCF Refinancing are shown in the table below. The Issuer will use the gross proceeds of the offering of the Notes to fund the Existing 2019 Notes Refinancing, the RCF Refinancing and to pay certain fees and expenses. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros.

The amounts set forth below are based on an exchange rate as of April 4, 2016, of €1.00 = $1.14.

Sources of Funds	in millions of euros	Uses of Funds	in millions of euros
Notes offered hereby[(1)]	1,974	Existing 2019 Notes Refinancing[(2)]	1,505
		RCF Refinancing	450
		Transaction fees and expenses[(3)]	19
Total Sources	**1,974**	**Total Uses**	**1,974**

(1) Reflects the aggregate principal amount of Notes offered hereby based on an exchange rate as of April 4, 2016 of €1.00 = $1.14.

(2) Represents (i) €1,452 million which is the euro equivalent of the $1,655 million aggregate principal amount of Existing 2019 Notes being redeemed plus (ii) approximately €53 million in premium payable in connection with the Existing 2019 Notes Refinancing (in each case based on the exchange rate as of April 4, 2016 of €1.00 = $1.14). Excludes accrued and unpaid interest on the Existing 2019 Notes.

(3) 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 actual amount depending on several factors, including differences between our estimates of fees and expenses and the actual fees and expenses as of the completion of the various transactions contemplated by the Transactions.

CAPITALIZATION

The following table sets forth the Group's consolidated cash and cash equivalents and total financial debt as of December 31, 2015, on an actual basis and as adjusted to give effect to the Transactions, including the offering of the Notes hereby and the use of proceeds therefrom, as if such Transactions had occurred on December 31, 2015. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Transactions. As adjusted amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros.

You should read the following table in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*" and "*Description of Other Indebtedness*" and the financial statements and related notes, an English translation of which is included elsewhere in this Offering Memorandum.

Unless otherwise stated, the amounts set forth below are based on an exchange rate as of December 31, 2015 of $1.0887 = €1.00 unless otherwise stated.

	As of December 31, 2015	
	Actual	**As Adjusted**
	(in millions of euros)	
Cash and cash equivalents	355	355
Financial debt:		
Notes offered hereby[(1)]	—	1,974
Existing Notes[(2)]	9,392	7,872
Existing Term Loans[(3)]	6,781	6,781
Existing Revolving Credit Facilities[(4)]	450	—
Finance Leases	66	66
Other Liabilities	147	147
Adjustment for foreign exchange impact of Existing 2019 Notes Refinancing[(5)]	—	68
Total financial debt[(6)]	**16,836**	**16,908**
Exchange rate effect of derivative instruments[(7)]	(2,080)	(2,080)
Total financial debt (after currency impact of derivative instruments)	**14,755**	**14,827**

(1) Reflects the aggregate principal amount of Notes offered hereby based on an exchange rate as of April 4, 2016, of €1.00 = $1.14.

(2) Actual amount reflects an aggregate principal amount of $7,775 million of Existing Dollar Notes and an aggregate principal amount of €2,250 million of Existing Euro Notes and the as adjusted amount gives effect to the Existing 2019 Notes Refinancing (without giving effect to the foreign exchange impact of the Existing 2019 Notes Refinancing). Excludes accrued interest and the impact of the effective interest rate ("EIR") method.

(3) Reflects the total principal amount of Existing Term Loans outstanding as of December 31, 2015. Excludes accrued interest and amortization of fees and expenses.

(4) As of December 31, 2015, we had drawn €450 million under the Existing Revolving Credit Facilities and had €675 million of availability under the Existing Revolving Credit Facilities. Amounts shown exclude an additional €175 million of drawdowns under the Existing Revolving Credit Facilities after December 31, 2015, which will not be refinanced pursuant to the RCF Refinancing, and accrued interest and amortization of fees and expenses.

(5) Represents the estimated foreign exchange impact associated with the Existing 2019 Notes Refinancing which is equal to the difference between (i) the euro equivalent amount of €1,520 million of the $1,655 million aggregate principal amount of Existing 2019 Notes being redeemed based on the exchange rate as of December 31, 2015 (€1.00 = $1.0887) and (ii) the euro equivalent amount of €1,452 million of the aggregate principal amount of Existing 2019 Notes being redeemed based on the exchange rate as of April 4, 2014 (€1.00 = $1.14), respectively.

(6) Excludes (i) customer deposits of €135 million which are deposits by customers renting set-top boxes and broadband routers, repayable when customers return such devices in good functioning order at the end of their contracts, (ii) securitization debt of €171 million, (iii) reverse factoring liabilities of €241 million and (iv) the perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez (the "Perpetual Subordinated Notes"). The proceeds of the Perpetual Subordinated Notes have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Perpetual Subordinated Notes bear interest at 7% per annum. Interest is capitalized. The total financial liabilities under the Perpetual Subordinated Notes amounted to €43 million as of December 31, 2015 (including accrued interest).

(7) As of December 31, 2015, the value of the derivatives relating to our existing debt consisted of a positive exchange rate effect of €2,080 million and a negative interest rate effect of €252 million. The negative interest rate effect is not included in total financial debt or total financial debt (after currency impact of derivative instruments) presented in the above table. See Note 24 of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.

INDUSTRY, COMPETITION AND MARKET OVERVIEW

In this section, the terms "Group", "we", "our" and "us" refer to the combined business comprising Numericable-SFR S.A. and its subsidiaries, including SFR and Omer Telecom, unless the context in which such terms appear otherwise requires.

Presentation of the Sector and Market

The French telecommunications market is the third largest in Europe, with revenues of approximately €40 billion in 2015 (Source: Paul Budde Communication Pty Ltd, www.budde.com.au; 2015 annual earnings releases). While the Group operates in all segments of the French telecommunications market, its activity focuses on fixed-line very-high-speed internet, pay-TV, mobile and next-generation B2B services (advanced data services, IP VPN, hosting and cloud services).

France is one of the largest European fixed-line high-speed internet markets, with nearly 26.9 million fixed-line high-speed subscriptions as of December 31, 2015 (Source: ARCEP). Higher bandwidth is becoming increasingly important for B2C. While only 15.9% of broadband lines were very-high-speed lines as of December 31, 2015 in France (source: ARCEP), which is lower than for many other European countries, access to very high speed internet continues to rapidly increase. As of December 31, 2015, 5.6 million households were eligible for very-high-speed optical fiber to the home (FTTH), which corresponds to an 12% increase in one quarter and a 38% increase over one year. (Source: ARCEP).

In the mobile market, the total number of SIM cards continues to increase, from 79.9 million cards as of December 31, 2014, to 81.8 cards as of December 31, 2015 (Source: ARCEP). This growth has been sustained by an increase in the rate of penetration of mobile phones, smartphones and tablets and the growth of quadruple play offers. Nevertheless, the value of the French mobile market declined after the fourth mobile telephony operator entered the market in early 2012, having as a consequence, among other things, a drop in the pricing of mobile offers in France. As of the date of this Offering Memorandum, the prices for mobile subscriptions in France had reached levels that were among the lowest in Europe for comparable offers.

In both the B2C and B2B segments, data usage has increased and data needs have become more complex, as the next-generation services require higher speeds and bandwidth capacity.

B2C market

The Group is present in metropolitan France, which as of December 31, 2015 had a population of approximately 66.6 million residents (Source: INSEE).

The French B2C internet access segment is a mature one, with 26.9 million fixed-line high-speed subscriptions as of December 31, 2015 (Source: ARCEP).

In terms of very-high-speed internet access, which ARCEP defines as internet access for which the peak download speed is greater or equal to 30 Mbps, the French market nevertheless presents a relatively low rate of penetration, with only 15.9% of households having very-high-speed internet access as of December 31, 2015 (Source: ARCEP). The Group estimates that such under-penetration could constitute an attractive opportunity for growth, as B2C subscribers are beginning to favor higher speed and bandwidth capacity for their internet use.

The French high-speed internet access market is one of the most competitive in Europe, with significant unbundling and strong incumbent competitors. The Orange fixed-line network includes a local loop serving the entire French population, and the unbundling allows other DSL access providers to access it at a price that is regulated by ARCEP. According to ARCEP, as of December 31, 2015, more than 90% of the French population was able to access competitive retail offers thanks to unbundling, which makes France one of the European leaders in that area (Source: ARCEP). All operators reputed to exert significant influence are required to offer unbundled access to their local loop and associated infrastructure under non-discriminatory conditions, which leads to increased competition on the market. See "*Regulation—Asymmetric regulation of the fixed telephony markets and fast and superfast broadband markets*".

The competition on the B2C market has intensified after the president of Bouygues Telecom announced in December 2013 his intention to launch a price war on fixed-line internet offers in 2014, following Free's ads for its 4G offers and the results of its competitors. Bouygues Telecom introduced a triple play offer at €19.99 per month in February 2014, and in July 2014 launched a FTTH offer at

€25.99 including tax per month, with no commitment in terms of duration. In March 2015, Iliad announced the release of a new triple play box under Android TV™, the mini 4K, at the price of €29.99 per month, with no commitment in terms of duration.

As of December 31, 2015, Orange, Free (Iliad) and Bouygues Telecom reported a volume of subscribers with broadband services of 10.7 million, 6.1 million and 2.8 million respectively (Source: 2015 annual earnings releases).

The French B2C mobile telephony market is a mature market, even though it has experienced significant changes in recent years, with the entry of a fourth mobile telephony operator in January 2012. The penetration rate of mobile telephony (including M2M SIM cards (cards for communicating devices)) in France has historically increased, and, more recently has been stable, from approximately 117% as of December 31, 2013 for the entire population, to 122% as of December 31, 2014 and 124% as of September 30, 2015 (Source: ARCEP).

Sector convergence

The convergence of the B2C segment in France is the result of consumers' desire to receive multimedia and telecommunications services from a single operator and at an attractive price. In response, operators offer television, high-speed internet and fixed-line telephony services, which are grouped into bundled offers known as "double play" (two services provided together), "triple play" (three services—telephone, internet, television—provided together) or "quadruple play" (telephone, internet, television and mobile telephony provided together). "Quadruple play" offers have been available in the French market since 2009 (Bouygues Telecom). SFR and Orange introduced "quadruple play" offers in 2010. Numericable followed in 2011 and Free did the same in 2012.

These bundled service offerings allow multimedia and telecommunications service providers to satisfy the communication and entertainment needs of consumers, and draw new subscribers thanks to the improved value of the offers.

The fiber optic/two-way cable networks are particularly adept at supplying triple play services which require wide bandwidth. Initially designed to transmit significant amounts of data, the hybrid fiber and coaxial cable network of the Group, which is based on FTTB technology, allows it to provide high speeds to the customer, regardless of distance. Conversely, the actual speed of the DSL networks varies according to the distance from the access point to the local loop, since the speed decreases as the geographic distance from the subscriber compared to this access point increases (the maximum speeds noted are for customers located within one kilometer of the nearest access point). In order to increase and align network speeds, Orange began to invest in the construction of an FTTH network. Iliad and SFR also began to roll out FTTH networks. As of December 31, 2015, approximately 1.4 million subscribers were connected to FTTH networks (Source: ARCEP).

High-speed internet

a) Introduction

High-speed internet access, often referred to simply as "high-speed internet", is a high-speed data internet connection. Recommendation I.113 of the Standardization Sector of the International Telecommunication Union (ITU) defines "high-speed internet" or "broadband" as a transmission capacity that is higher than the primary speed of the ISDN, which is approximately 1.5 to 2 Mbps. France, with 26.9 million high-speed internet subscribers as of December 31, 2015 (Source: ARCEP), is one of the largest high-speed internet access markets in Europe. However, in terms of very-high-speed internet access, the French market has a relatively low penetration rate, with just 15.9% of households having very-high-speed internet access as of December 31, 2015 (Source: ARCEP). The Group estimates that these low penetration rates constitute an attractive growth opportunity for the Group as a reliable very-high-speed internet access provider. Smartphones and tablets are proliferating, and as they are increasingly used for multimedia functions, B2C subscriptions require both more bandwidth (to adapt to the increased average number of screens per household) and quicker download speeds (to adapt to the use of multimedia services).

The main high-speed internet access technologies are DSL (VDSL2) and fiber optics/cable. Digital analog modems, internet access via electric cable and local wireless loop technology are likewise available in France, although to a lesser extent.

b) Main distribution platforms—DSL, VDSL2, fiber optics and cable

DSL is the first high-speed internet access platform in France, with 22.1 million subscribers as of December 31, 2015, and representing approximately 82% of the total French high-speed and very- high-speed market (Source: ARCEP). This situation is the result of several factors: the regulatory environment which encouraged competition for DSL thanks to unbundling and regulated wholesale prices; the relatively recent consolidation of cable activity in France and the weak cable coverage level (only 29.2% of French households covered as of December 31, 2015); the fact that the modernization of cable networks is relatively recent; and the relatively low levels of roll-out of fiber optics.

DSL currently offers consumers a maximum speed of 28 Mbps, while cable currently offers consumers a maximum speed of 200 Mbps. The average speeds experienced by subscribers are likely to be lower than the maximum speeds. In particular, DSL speeds depend on the distances between the access point to the local loop and the home.

The Group's network uses both FTTH technology and FTTB technology. FTTH technology, which requires a fiber link directly to the subscriber, currently offers consumers a maximum speed of 1 Gbps. The major difference between the FTTH networks and the fiber/cable network (FTTB) lies in the fact that for FTTB, the vertical connection (within the building) to the subscriber uses a coaxial cable.

The roll-out of FTTH networks in France began slowly. Installation of this type of technology represents an investment of capital and time, and requires civil engineering and cabling work, be it horizontally to increase the number of residents covered, or vertically within buildings. The government considers the FTTH networks to constitute a significant part of its long-term investment plan and in February 2013 announced an FTTH roll-out program (for which cable technology is not eligible) of €20 billion (invested by private operators and local and regional authorities) and the objective of providing very-high-speed internet access to 50% of the population by 2017, and to the entire country by 2022. The government will provide a €3.3 billion subsidy package, a portion of which comes from the Investments for the Future Program (*Programme des Investissements d'Avenir*) which is managed by France's General Commissariat for Investments and governed by the 2015 Budget Act. As of July 2015, €1.49 billion in subsidies from Investments for the Future Program (*Programme des Investissements d'Avenir*) had been invested. Various local and regional authorities have already extended subsidies to network operators to install FTTH connections. This trend should continue, as certain departments, municipalities and regions, such as Hauts-de-Seine, Amiens and Louvin, for example, have entered into public-private partnerships to encourage such investments. As of December 31, 2015, France had a total of 1.4 million very-high-speed internet subscribers via FTTH, a 52.7% increase in one year. The Group signed agreements with Orange, as did Free, relating to the roll-out of fiber optics in less dense zones of France. In accordance with the conditions established by ARCEP, third-party operators may likewise have access to the infrastructure used by an operator, including by co-financing projects, for their own very-high-speed internet offers.

VDSL2 technology is an alternative solution. DSL networks may be improved, and a portion of them have already been improved, thanks to the VDSL2 technology, which the government authorized for use in April 2013, and which provides average bandwidth speeds of up to 50 Mbps (Source: ARCEP). More particularly, the roll-out of VDSL2 only requires the addition of VDSL2 cards in the DSLAMs that were already rolled out and does not entail any physical intervention at the subscriber's home. Moreover, the deployment of this technology has accelerated since October 2014 given the favorable opinion of the copper experts committee that has allowed the marketing, starting from that date, of VDSL2 in indirect distribution on all lines from an MDF on Orange's local copper loop. As of December 31, 2015, approximately 5.3 million households were eligible for VDSL2 (source: ARCEP).

As of December 31, 2015, very-high-speed subscribers represented approximately 15.9% of all high-speed internet subscribers (Source: ARCEP), and the Group was the top player in this market. The Group currently offers cable subscribers internet speeds up to 800 Mbps through its modernized network and set top boxes.

The following table shows the distribution between high-speed internet services in France, between December 31, 2014 and December 31, 2015 (Source: ARCEP):

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
			in millions		
Number of high-speed and very-high-speed subscriptions on fixed-line networks	25.971	26.175	26.274	26.575	26.865
Number of high-speed subscriptions	23.006	22.829	22.651	22.694	22.600
of which are xDSL subscriptions	22.533	22.353	22.175	22.190	22.090
of which are other high-speed subscriptions	0.47	0.476	0.476	0.503	0.510
Number of very-high-speed subscriptions	2.965	3.345	3.624	3.882	4.265
of which end-to-end fiber optics subscriptions	0.933	1.038	1.141	1.253	1.425
of which very-high-speed ≥100Mbits/s subscriptions	0.893	0.963	1.011	1.135	1.200
of which other very-high-speed ≥30 and ≤100Mbits/s* subscriptions	1.139	1.344	1.472	1.493	1.640

* including subscriptions in VDSL2 for which speed is >=30 Mbits/s

Changes in the total number of high and very-high-speed subscriptions	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015**
Net increase over one year, in millions	1.028	0.947	0.866	0.920	0.900
Net increase over one year, in %	4.1%	3.8%	3.6%	3.4%	3.4%
Net increase over the quarter, in millions	0.316	0.203	0.100	0.301	0.290
Gross increase over the quarter, in millions***	1.300	1.250	1.150	1.500	1.500

** Provisional results

*** Data rounded to 12,500—approximate

As of December 31, 2015, the Group had 6.4 million internet subscribers, including 4.5 million DSL subscribers, and 1.8 million FTTB and FTTH subscribers.

The Group is also in competition with operators who use alternative technologies for high-speed internet access, such as mobile 3G and 4G internet. As of September 30, 2015, there were a total of 71.8 million SIM cards on the French market (including 69.6 million "active" cards) and, as of September 30, 2015, 46.7 million active mobile 3G subscribers (Source: ARCEP). The Group, along with Orange, Bouygues Telecom and Free, also rolled out offers based on 4G/Long-Term Evolution ("LTE"), which allow quicker high-speed mobile internet service to be provided. In October 2011, Orange, SFR, Bouygues Telecom and Free obtained licenses for the spectrum range of 2.6 GHz, adapted to the roll-out of the 4G/LTE networks. The Group, Orange and Bouygues Telecom have already announced they have reached one million 4G subscribers each. Free's 4G offer launched in December 2013.

Moreover, alternative internet access technologies could be introduced in the future. These technologies should further increase competition, or could lead operators to increase their investment costs to make additional upgrades. Competition in these alternative technologies, specifically in terms of pricing, could become more intense in the future.

Pay-TV

(a) Introduction

The French pay-TV television market is one of the largest in Europe. As with other European markets, the behavior of B2C consumers of television services in France is increasingly centered on digital, innovative, HD, Ultra-HD, and 3D-TV television services, as well as interactive television services such as VOD, which require large bandwidth, along with bi-directional distribution platforms.

(b) Broadcast platforms

In France, television signal broadcasting platforms include satellite, IP (DSL/FTTH), the cable network of the Group, terrestrial systems (DTT) and OTT. TV viewers who have the appropriate television equipment may receive signals and watch programs on approximately 25 television channels free of charge (with no subscription) through DTT. In order to have access to more channels or content, TV viewers must subscribe to pay-TV services. The pay-TV market in France is divided between standard pay-TV in the form of packages of standard channels, in other words DTT channels, as well as low added-value channels, and premium pay-TV in the form of premium channel offers, which are specialized in sports, cinema and other thematic channels. The incumbent operators of pay-TV must confront growing competition in free television (including DTT) and other alternatives to pay-TV ("over-the-top" or OTT and catch-up TV), although the competitive advantage of pay-TV (excellent quality programming and premium services) and the loyalty of the existing subscriber base have contributed to its sustainability (low price sensitivity and weak churn).

The growth of IPTV has transformed the market, offering the possibility of providing pay-TV services that go beyond the traditional cable and satellite methods (which is limited by the impossibility of installing a satellite dish on the facade of buildings in certain areas, such as the center of Paris).

Even though pay-DTT (which now concerns only the Canal+ Group) currently represents a low share of pay-TV, providers of pay-DTT could in the future be able to offer a larger selection of channels to a broader audience at a price that is lower than the one billed by the Group for its cable television services.

The Canal+ Group distributes its offers on all broadcasting platforms: DSL, DTT, satellite and the cable network of the Group (in the latter case, only for channels that belong to Canal+, called Les Chaînes Canal+, excluding CanalSat). The Canal+ Group has two additional offers: a premium offer consisting of Les Chaînes Canal+ and a multi-channel package known as CanalSat. These two supplementary offers may be subscribed to individually or together. The Canal+ Group has developed numerous services with high added value to its offerings, such as CanalPlay (TV on-demand not available by satellite but available on the Group's cable network), HD or even multi-screen broadcasting. As of December 31, 2015, the Canal+ Group had 11.2 million individual subscribers, of which 5.7 million individual subscribers are in mainland France (Source: 2015 Vivendi income statement). The Canal + Group has negotiated agreements with broadcasters on the broadcasting platforms to which they hold rights. As NC Numericable has not yet granted rights to Canal + Group for its platform, Canal +, it cannot negotiate rights over that platform. NC Numericable is thus negotiating its own agreements with the broadcasters. However, since a decision of the French Competition Authority of March 2015, confirmed by the Conseil d'Etat (the French administrative supreme court) in a ruling of March 21, 2016, the Canal + Group can bid for and acquire exclusive rights to distribute programs of content providers, including on the NC Numericable's cable network platform. The Canal + Group has thus acquired recently the exclusive right to distribute Eurosport and most of Disney's channels in France.

With regard to Canal+ Group, the Group's cable pay-TV offers are above all in competition with the CanalSat offers, as the content of their offers is similar (the content of the Canal+ channels is exclusive to the Canal+ Group). There are several CanalSat offers. CanalSat Panorama (approximately 90 channels, €24.90 per month) and CanalSat Grand Panorama (the panorama channels + the Cinema Series channels, €39.90 per month). There are also the La Totale offers (Cinema Series, Family and Sport), which include Canal+ channels and respectively CanalSat Series Cinema, CanalSat Panorama, CanalSat Sports and other options and channels (respectively €59.08, €64.80 and €49.90). The Multisports and beIn Sport channels are not included but may, along with other channels, be added as an option.

(i) Cable

The Group is the only major cable operator in France with 99% share of the French cable market (Source: Paul Budde Communication Pty Ltd, www.budde.com.au). The revenue for cable network operators is primarily derived from subscription costs paid by subscribers for services provided. The Group estimates that direct access to its subscribers will allow it to identify and respond locally to their demand for specific products and services more easily, and thus to better serve them. The services provided by the cable networks feature easy-to-use technology, installation that is adapted to equipment at subscribers' homes, and reliable secure signals which are directly broadcast to their homes. Cable television subscribers can access the customer services provided by the cable operator upon request. Cable also offers subscribers a high quality of service, including excellent image quality, multiple HD channels, 3D-TV compatibility and VOD offers.

With the market trending towards group offers for multimedia and telecommunications services, the market share in cable television should benefit from the capacity of cable to provide triple play services that benefit from a broad bandwidth, fast speed and bi-directional capacity.

As of December 31, 2015 the cable network is limited.

(ii) Satellite

Satellite holds an important place on the French television market, in particular for premium products. Satellite subscribers may opt for free satellite television or pay satellite television. Satellite operators broadcast digital signals directly to television viewers at the national level. To receive the satellite signal, TV viewers must have a satellite dish, satellite receiver and a TV set-top box. They must also have a "smart card" to access subscription and premium television services that are broadcast by satellite. Satellite operators of free TV have no contractual relationship with television viewers and thus do not collect any subscription fees or other royalties.

Satellite broadcasting presents a certain number of competitive advantages compared to cable television services, in particular a wider range of available programs on a larger geographic zone, in particular in rural areas. Conversely, the Group estimates that satellites are less widely available in urban areas due to restrictions on the installation of satellite dishes. The Group considers that satellites also present the following disadvantages compared to cable: (i) high initial costs of obtaining and installing a dish; (ii) lack of regular maintenance services which, conversely, are provided by cable operators; and (iii) the vulnerable nature of the reception of satellite signals to external interference, such as unfavorable weather conditions.

(iii) DSL/VDSL2

Triple and quadruple play offers from the Group are primarily in competition with DSL offers from Orange, Free and Bouygues Telecom, which are currently offering television services to subscribers connected to the Group's network by using high-speed DSL internet connections, and with CanalSat, which offers premium pay-TV on DSL and satellite networks. Even though DSL technology covers a potentially larger customer base (covering, for Orange, its local loop, and for the others, the part of Orange's local exchange which was unbundled), the Group estimates that the superiority of its fiber optic/cable technology in terms of quality, reliability and richness of content will allow it to challenge this statement in the years to come in the areas where the Group has rolled out its fiber optic/cable network. See "—*Group network*". The Group estimates that DSL television presents a disadvantage as compared to cable: the addition of television services on a DSL network has the effect of saturating the network and decreasing the available bandwidth for the other services offered, in particular high-speed internet services which require broad bandwidth. However, the roll-out of VDSL2 could attenuate the effects of this disadvantage.

(iv) Pay digital terrestrial television

The Group's cable television services are likewise in competition with the pay-digital terrestrial television ("DTT") operators, such as the Canal+ Group. DTT currently offers only a limited number of channels, and no interactive television service, providing above all free television, although the quality of the image provided is good.

(v) OTT and other emerging technologies

The Group is faced with growing competition for alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast "over-the-top" ("OTT") programs on a high-speed network, such as Amazon, Apple, Google and Netflix, have already become competitors and are expected to grow stronger in the future. Connected or "smart" TVs facilitate the use of these services.

OTT refers to high speed broadcasting of video and audio content without the internet access provider being involved in the control or distribution of the program (its role is limited to transporting IP packages), as opposed to the purchase of video or audio programs from an internet access provider such as VOD video services or IPTV. Outside France, OTT has had great success. The extent of the competition these alternative technologies will exert on the Group's cable television system in France is not yet known. In particular, OTT in France is affected by the "media chronology" in France, which forces subscription VOD services to comply with a minimum period of 36 months between when a film comes out in France and when it becomes available in a subscription VOD catalog, although this does not apply to series or films that are not shown in theaters.

Netflix launched offers in France on September 15, 2014, offering a one-month free trial and then flat fees beginning at €7.99 per month for standard definition screens, and up to €11.99 per month for four HD-quality screens. Bouygues Telecom and Orange have signed agreements with Netflix under which their respective subscribers may directly access unlimited on-demand video service on their television via a Netflix subscription as of November 2014 (source: Bouygues Telecom and Orange.fr website release). The television offer with Google Play under the Group's "SFR" brand also includes access to Netflix.

The Canal+ Group is offering CanalPlay, which is similar to Netflix's offer. CanalPlay is available for €7.99 a month for a computer, tablet or smartphone, and for €9.99 a month for a television, tablet and smartphone (on Free, Bouygues Telecom, Apple TV and Xbox 360), with a one-month free trial.

Apple TV is also a competitor, and allows content to be broadcast on the television, with access to available content on iTunes and at other providers (CanalPlay, YouTube).

Google TV is also available, either directly on certain televisions, or with a set-top box, and offers on-demand content as well as access to applications such as YouTube. There are also other VOD service providers, such as Jook and Filmo TV.

Other technology and/or content providers could have offers in the future in France. For example, Amazon offers content in the United States but not yet in France.

The offers of these providers or of other providers of content and/or technologies could significantly increase the pressure for competition on the French market, impacting the prices and structure of the offers. Nevertheless, such technologies could contribute to increasing the demand for very-high-speed internet access services that are offered by the Group.

Telephony

(a) Fixed-line telephony

Traditional switched voice lines have been on the decline for several years, being gradually replaced by VoIP lines and mobile telephony. More generally, fixed-line telephony has become a basic product, which is now generally grouped under multi-play offers. The fixed-line services have consequently become dependent on a quality high-speed internet offer. Flat rates for fixed-line telephony have become the market standard.

The fixed B2C telephony market in France is also facing the pressure exerted by alternate operators, with the decrease in the prices of mobile telephony and interconnection rates, as well as alternative access technologies and other internet telephony methods offered on high-speed internet connections. The Group is expecting competition to be increasingly intense in the future, in particular in terms of pricing.

Fixed-line and mobile telephony traffic dropped approximately 1% in Q3 2015, as compared to Q3 2014 (source: ARCEP).

(b) Mobile telephony

France is one of the largest mobile telephony markets in Europe. At September 30, 2015, there was a total of 81.8 million SIM cards in France, representing a 123.8% penetration rate in the French population (Source: ARCEP), a figure that has consistently increased over the past few years. The historically low mobile telephony penetration rate, combined with the drop in market prices, has led to a significant increase in mobile telephony subscriptions. This growth has been driven by the subscription contract segment, which increased by nearly 4.2% in volume between Q3 2014 and Q3 2015, whereas the prepaid contracts segment declined by 12.9% during the same period (Source: ARCEP). The increase in the subscription contract segment and the decline in the prepaid contracts segment are primarily due to customers' desire to switch to post-paid. The income from mobile services on the retail market dropped between 2011 and 2014, going from €18.9 billion in 2011 to €14.6 billion in 2014 (including M2M revenues) (source: ARCEP). The drop in this income that was noted during the 2012-2014 period is primarily attributable to two effects:

- drops in rate are primarily a consequence of the arrival of a fourth mobile network operator, Free, in January 2012. This intensification in competition had the effect of making mobile offer rates in France among the lowest in Europe at the date of this Offering Memorandum. This trend is particularly found on the retail market, but has repercussions for the business and wholesale markets too;

- call termination fees were divided by 2.5 between 2011 and 2013, and then became stable (source: ARCEP—Major Files—call terminations). Nevertheless, in the future, the impact that a potential decrease in these rates could have on the income of operators should be limited, given the particularly low level achieved in France as compared to the rest of Europe (€0.076 for a mobile voice call termination in the metropolitan area as of January 1, 2016 for all operators and announced €0.074 as of January 1, 2017—source: ARCEP—Major Files—call terminations; approximately €0.152 on average for the rest of Europe as of July 31, 2015—source: Body of European Regulators for Electronic Communications BEREC). The drop in income drawn from roaming, which is linked to the reduction in wholesale and retail fees for intra-Europe roaming, also had an impact on the sector's revenues. This drop should continue in the upcoming years, due to the expected decreases in roaming fees, which simultaneously result from regulatory changes and commercial offers from operators.

(i) Market segmentation

Historically, there were only three mobile network operators in France: Orange, SFR and Bouygues Telecom. Iliad was granted the fourth mobile license in 2009, and launched a mobile telephony service in January 2012 under the brand name Free. Free's entry disturbed the market, intensifying competition due to its price-setting strategy, which introduced new reduced-price commercial offers onto the market. Before Free's entry, the majority of subscription contracts were based on limited usage (e.g.: four hours of communications) and subsidized cell phones. Free primarily introduced packages without cell phones, which contained limited outsourced services, but while providing unlimited data and communications offers (3G) at a very low cost (€19.99/month for its key offer). The mobile telephony market is currently very competitive in France, with the launch of new 4G offers, a declared hostility between competitors (specifically after the launch by Free and B&You of 4G offers at the same price as 3G offers) and the development of low-cost brands.

Other competitors also introduced low-price brands, such as B&You (Bouygues Telecom) and Sosh (Orange). SFR also adapted its strategy by launching its low-cost "SFR RED" brand. Free quickly gained market share, having attained approximately 11.7 million mobile customers as of December 31, 2015, and a market share of approximately 24%, four years after its commercial launch (source: Iliad 2015 results presentation).

The French mobile market is also characterized by an important share of subscription services, i.e., 58.7 million as of September 30, 2015 (excluding French overseas territories and M2M SIMs—Source: ARCEP). This is primarily due to prepaid offers being replaced by low-priced post-paid offers (e.g.: €2 per month) with a small number of communication hours (e.g.: two hours of communication) and no internet.

Over the past few years, MVNOs such as NRJ Mobile and La Poste Mobile have also used mobile operator networks to sell mobile products that bear their own brand names. The migration of customers to MVNOs seems to have stabilized, with MVNOs representing a combined market share of 10.8% of the mobile market in France as of September 30, 2015 (Source: ARCEP).

As of December 31, 2015, Orange, Bouygues Telecom and Iliad (Free) reported a total of 28.4 million, 10.9 million and 11.7 million mobile customers, respectively (Source: the companies' 2015 annual earnings releases) even though the total number of customers of MVNOs on the market reached 7.5 million as of September 30, 2015 (Source: ARCEP).

(ii) Price setting dynamics

In the past few years, the increased competition on the French mobile market has resulted in a drop in market prices. Consequently, the average income per user went down nearly 18.4% between the end of 2012 and September 30,2015 (source: ARCEP), primarily due to the change in offers of certain subscribers to the benefit of post-paid services. Following this drop, mobile prices in France are now among the lowest in Europe. The mobile telephony prices in France are particularly low in relation to the weak density of the population, which requires significant investments to offer sufficient national geographic coverage.

(iii) 4G/LTE

The French market has historically been slower than other European markets in terms of mobile data consumption. Despite the high concentration of post-paid subscriptions, the market has been historically slower as concerns data services. Recently, this trend has changed, insofar as the operators have begun to launch 4G offers at reduced prices.

Free was the first operator to introduce 4G at no additional cost in December 2013. Other operators on the market aligned their prices for 4G with those of Free, with all mobile network operators now offering similar all-inclusive 4G packages at an opening price of €20 per month.

(iv) Mobile call termination rates

Mobile call termination rates have been reduced by regulators across Europe. In France, ARCEP announced in 2011 that it would reduce mobile call termination rates (symmetrically for the main operators, which did not include Free because it had not yet launched its commercial operations). In late June 2011, Orange and SFR billed €0.03 per minute while Bouygues Telecom billed €0.034. The new regulations required operators to reduce the rate to €0.02 per minute as of July 1st, 2011, €0.015 as of January 1st, 2012, €0.01 as of July 1st, 2012, €0.008 as of January 1st, 2013 and €0.0078 as of January 1st, 2015. Consequently, France has one of the lowest mobile call termination rates in Europe, with limited margin for new rate reductions; in comparison, the average rate in Europe is €0.0169 as of July 2014 (Source: Body of European Regulators for Electronic Communications).

(v) Mobile spectrum and network coverage

Mobile communications are provided through the use of a set of frequencies which the regulator allocates to the various operators. Currently, the four main operators benefit from a varied frequency spectrum, ranging from 800 to 2,600 MHz, which allows all 2G, 3G and 4G technologies to be offered.

Four main network operators were thus present on the mobile service market in metropolitan France as of September 30, 2015, with the various virtual network operators (MVNOs) representing a market share of 10.8% (source: ARCEP).

The operating licenses for the spectrum in France are generally granted for a period of twenty years, and the operators can only use the technology covered by the license on each band of the spectrum. The other operators have very similar positions on the spectrum bands, which allows them to effectively compete in all of the technologies. The most recent frequency bid in France was for 700MHz in November 2015.

(vi) Technological developments

On mobile networks, in order to accompany the strong growth of mobile internet, operators have committed, in line with the evident desire of the public authorities, to the development of very-high speed-mobile infrastructure, which will supplement the 3G coverage already used. In fall 2012, certain operators opened their fourth-generation networks (4G) by using different frequencies (800 MHz, 2,600 MHz or 1,800 MHz). 4G allows much higher speeds and capacities to be offered (up to theoretical download speeds of 100 Mbps) than those of the previous generation 3G+ (HSPA+: theoretical download speeds of up to 42 Mbps).

B2B market

Following the liberalization of the French telecommunications market in 1996, a large number of telecommunications operators penetrated the B2B segment, offering fixed telephony services, fixed-line internet access, data access links and, more recently, cloud computing services. The large corporate customer B2B market is very competitive and includes among its main players Orange, SFR, Bouygues Telecom, and Completel as well as international players. The market for other accounts is led by Orange, which competes with local players.

The expectations of B2B customers differ from those of B2C subscribers. B2B customers demand that services be extremely reliable, and that they be able to be quickly reestablished in case of failures (generally subject to financial penalties). B2B customers also require symmetrical bandwidth speeds, even though B2C subscribers are generally satisfied with asymmetrical speeds which provide quicker download times but slower uploads. B2B customers also demand increased security and are able to impose penalties (monetary or other) on operators if the contractual conditions are not respected. These requirements have an impact on the technological solutions offered to B2B customers, and explain the higher prices for the B2B segment.

The penetration of mobile internet is increasing for the B2B market, specifically with more and more smartphones with a flat rate plan including data. In terms of fixed connectivity, the B2B market is now characterized by a growing penetration of fiber optics, which is linked to an increase in data consumption.

Customers' expectations are increasingly for convergent offers combining competitive services: fixed line telephony, which is increasingly converging with data via VoIP, mobile telephony and internet access (with an increasingly strong demand for very-high-speed access). These converging offers are specifically intended for micro-businesses and SMEs seeking all-in-one solutions.

They participate in the development of unified communications services for businesses and are characterized by the convergence of mobile and fixed-line telephony, and the development of collaborative tools (professional messaging service, instant messaging, videoconferencing, sharing tools).

Beyond business services, the operators with a presence on the B2B market offer adjacent and supplementary services, including unified communications services and collaboration tools, as well as call center services or internet presence management, and managed security services, whether hosted or not, which accompany internet protocol (IP) communications services and remote work (including online backup, firewall, management and protection of secure access terminals to resources located in a business network).

In terms of connectivity, the market features a growing penetration of fiber optics, which is linked to the increase in data consumption.

Voice

The B2B segment for voice call services is extremely sensitive to price trends; customers are well informed and contracts are relatively short-term (one year). Being able to face the competition efficiently depends in part on the density of the network, and certain competitors of the Group have a broader and denser network.

In recent years, the B2B market has experienced a structural change marked by a move from traditional switched voice services to VoIP services.

Data services

On the B2B segment, for data services, being able to transfer large amounts of data and to have access to the newest technologies is extremely important to customers. On the data market, consumption has significantly increased and, currently, customers are often looking for combined infrastructure and software solutions.

Price pressure has been strong in this competitive market. Conversely, the use of data transmission services has significantly increased. The Group is expecting the demand for data services and B2B bandwidth to continue growing, specifically due to the following factors:

- the convergence between voice call and data services, such as VoIP, which leads to greater demand for solid network solutions;
- an increase in the use of smartphones with a flat rate including data;
- the centralization of IT equipment for businesses with operations at several sites, including combining servers at a single site, which increases the connectivity needs of peripheral sites of these businesses;
- the emergence of new professional applications, such as videoconferencing;
- the demand of larger businesses for quicker access, growing virtualization, data centers and improved security services;
- the increase of digitalization in public administrations;
- greater use by medium-size businesses of complex data services, such as cloud computing;
- and
- professionals' increased use of internal wireless networks.

Customers are currently seeking to optimize and streamline their needs as much as possible through the use of data centers. Large corporations have a tendency to seek out specialized network solutions to control their chain of services end-to-end, and often have their own infrastructure. Other businesses are more apt to act according to their needs:

(i) with "infrastructure as a service" (or IaaS/cloud) solutions to meet their needs in terms of data availability, storage and security. "Infrastructure as a service" can now offer these businesses data storage and safety solutions which would otherwise be too costly; or

(ii) a tailored and secure infrastructure up to the "middleware" ("software as a service") level.

The Group is currently facing competition from software providers and other IT providers of data and network solutions, and the line between them and the suppliers of data infrastructure and solutions like the Group has become increasingly blurred. Partnerships between IT providers and infrastructure providers are becoming more and more common, and are an additional source of competition.

Particular growth is expected in data hosting outsourcing services. The complexity and growing management costs of IT systems are in effect pushing businesses to turn towards cloud solutions. This refers to a set of resources and services that are provided remotely, and which are thus accessible, for the user, in a flexible manner, on various terminals. Operators have already developed partnerships on "independent" cloud projects on French territory. This so-called "independent" cloud is intended for administrations, but also for private French businesses. It should allow sensitive information such as personal administrative data, information linked to e-health or even financial information requiring maximum security, to be stored.

The B2B market also includes the Internet of Things. The Internet of Things covers a set of connected objects: in the broad sense, this includes communication terminals, but also inert objects, equipped, for example, with RFID chips, and machines on which built-in electronic systems equipped with SIM cards have been installed (M2M). These connected objects and machines are being developed in a certain number of adjacent markets for uses in specific sectors, such as home automation, health and security, but also energy and transportation, which are at the heart of digital city projects. Accordingly, in France, the number of M2M SIM cards has gone from 3.4 million in late 2011 to 6.9 million in late 2013, to 10.0 million as of September 30, 2015 (source: ARCEP).

Customers

The B2B segment is also defined by the different needs of customers, which vary according to a business' size. The major businesses are sophisticated customers, and are very sensitive to price trends. Speed, capacity, security and reliability are also very important. They have a tendency to unbundle services, and frequently subject them to invitations to bid. The smallest businesses are more likely to group them and ascribe more importance to the provider's proximity.

Wholesale market

The wholesale telecommunications market includes three sectors: voice call connectivity wholesale services (voice), data connectivity wholesale services and dark fiber infrastructure wholesale services. The Wholesale segment of voice services includes fixed-line and mobile call termination services, as well as interconnection for operators whose switched voice network is underdeveloped or nonexistent. The wholesale data services segment includes the transportation of data for operators whose network is underdeveloped or nonexistent, as well as mobile network services for MVNO operators. The new dark fiber optic infrastructure wholesale market, based on the sale of fiber optic connections, with no service linked to voice or data, is being developed in parallel with the roll-out of FTTH and 4G, and primarily involves horizontal optical fiber links and connection to the backbone. The Group's major competitor on the French wholesale communications market is Orange. The Group is likewise in competition with conglomerates of telecommunication operators and construction businesses, such as Covage, Vinci, Eiffage and Axiom (which can put optical fiber cables in their construction works in order to rent them on the wholesale market) as well as with public infrastructure networks.

In France, Orange holds a leading position on the wholesale telecommunications market and on the wholesale data market, in which local operators play an important role.

- Voice. The wholesale market for voice call services is extremely volatile. Operators generally launch invitations to bid annually and choose the provider only according to availability and prices, due to the lack of difference in terms of quality of services between operators in the voice call services sector. Competition consequently primarily occurs for the prices and density of the network, as well as based on the flexibility of operators and their capacity to offer tailored solutions to their customers. On the wholesale voice segment, pricing is generally based on the increased cost pricing model, with interconnection rates established by ARCEP. The regulated interconnection rates have decreased as the telecommunications sector has matured. See "*Regulation—The European regulatory framework of electronic communication*". The wholesale voice market likewise includes wholesale resales for MVNOs and mobile roaming:

- Wholesale resales for MVNOs: The provision of end-to-end mobile services for MVNOs is a major issue for operators, and the degree of competition for these services has intensified in recent years. The MVNO wholesale market has evolved, especially after the signing of the first "Full MVNO" contracts in 2011. The status of "Full MVNO" allows virtual operators (for example, NRJ Mobile) to issue their own SIM cards, to have access to the central database managing subscribers' rights, as well as to certain elements of the network backbone. This model offers MVNOs greater control of services and increased commercial autonomy, but also entails higher costs for them (roll-out, technical maintenance). Moreover, the MVNO agreements have affected the flows of traffic and have led to an increase in the volumes of fixed-line telephony traffic to mobile, which generates higher wholesale prices. In particular, Free's arrival onto the mobile market in January 2012 has led to a significant increase in call volume from mobile to fixed lines, as well as intra- mobile.

- Mobile roaming: In order to continue offering mobile communication services outside of their country of origin, operators also negotiate roaming agreements. The communication services within the European Union are subject to price caps on both the retail and wholesale markets. In France, mobile roaming services exist between national operators in so-called "white zone" geographical regions, in which a single operator has rolled out a network and takes in the traffic of other network operators. The roll-out of the mobile network as well as the welcome services related thereto are supervised by ARCEP.

- Data services. The wholesale market for data services is less volatile than the voice call services market. Competition is primarily dependent, aside from price, on the quality of services and technological advances.

- Infrastructure. The wholesale market for dark fiber optic infrastructure is more open than the voice connectivity and data wholesale markets, given that the provision of these services does not require having a dense national network, and does not include any service that would require technical expertise. For example, certain cities in France have constructed their own local fiber optic networks and are consequently wholesale providers of infrastructure (i.e., they rent the optical fiber to telecommunications operators).

The growth of the wholesale market is a result of the growth in the demand for network capacity, which has significantly increased in recent years.

Another French market trend consists of developing public-private partnerships between local authorities and infrastructure operators to install or modernize FTTB networks, or roll-out vertical FTTH/FTTO networks. The Group was already selected and hopes to be selected again in the future as the entity in charge of constructing certain new networks, or improving the existing ones. See *"—Wholesale Infrastructure Services"*.

Operators and consortia of operators and construction businesses have also begun to roll out their FTTH vertical fiber networks in residential buildings in order to rent the usage right from these networks to other telecommunications operators in conformity with the so-called status of building operators through public-private partnerships with local authorities, among other things. The Group intervenes in this area thanks to the relationships it has built from its public services activity, since this is one way of maintaining and building relationships with its customers.

BUSINESS OF THE GROUP

Overview

The Group is the second largest telecommunications operator and the leading alternative operator in France by revenues and number of subscribers. The Group was created through the acquisition by the Issuer, previously France's sole major cable operator, of SFR, France's leading alternative mobile services provider, which occurred on November 27, 2014. The Group has major positions in all segments of the French telecommunications market, including B2C, B2B, local authorities and Wholesale, and offers a full range of broadband internet access, fixed-line and mobile telephony and audiovisual services through its leading fiber and mobile networks. As of December 31, 2015, the Group had approximately 15.1 million mobile subscribers and 6.3 million households with broadband subscriptions, compared to 16.2 million subscribers and 6.6 million households as of December 31, 2014. The Group generated revenues of €11,039 million and Adjusted EBITDA of €3,860 million for the year ended December 31, 2015 compared to revenues of €2,170 million and Adjusted EBITDA €708 million for the year ended December 31, 2014 (which includes one month of the operating results of SFR and Virgin Mobile).

B2C Market

In the B2C segment, the Group operates under the Numericable, SFR, Red and Virgin Mobile brands. In the B2B segment, it operates under the SFR Business brand, serving more than 190,000 companies in France. The Group owns and operates an extensive mobile network and aims to rapidly expand its 4G mobile coverage and its high speed fiber broadband coverage to as much of the French population as possible. The Group has a state-of-the-art fiber infrastructure, consisting of 50,000 kilometers of optical fiber lines and more than 160 metropolitan loops and 320 Optical Distribution Networks. Following the consolidation of SFR, the Group has benefited from network and operational synergies and other synergies that have allowed it to reallocate investment expenses in order to accelerate its investments in rolling out its fiber network. This has enabled the Group to support the innovation of products and services to better respond to the growing demand for very-high-speed and next generation services.

B2C fixed-line market

As of December 31, 2015, the Group's fixed-line subscriber base passed 9.3 million hoseholds of which 7.7 million households are fiber enabled, compared to 9.0 million households and 6.5 million households as of December 31, 2014, respectively. While the ADSL subscriber base decreased by 9.8% in 2015 to 4.5 million subscribers as of December 31, 2015, the very-high-speed subscriber base (which is defined by ARCEP as broadband with above 30 Mbps speed capability) grew 17.2% over the same period, reaching 1.8 million subscribers, making the Group a market leader in the French very-high-speed market. The Group aims to expand its fiber footprint to 22 million homes passed by 2022. The Group is able to upsell its existing DSL subscribers with cable broadband offers due to the overlapping cable and DSL networks acquired as a result of the SFR Acquisition and, moreover, the natural churn rate of broadband subscribers draws its existing DSL subscribers to the Group's cable and fiber products. This shifting of subscribers away from DSL has allowed, and is expected to continue to allow, the Group to reallocate investment expenses previously earmarked for DSL infrastructure to accelerating the rollout of its fiber network.

B2C mobile telephony market

The Group is the second-largest operator of mobile telephony in France by number of subscribers, with 15.1 million B2C subscribers as of December 31, 2015, compared to 16.2 million subscribers as of December 31, 2014. The number of subscribers decreased 6.8% in 2015 due to a highly competitive market. Due to its strong market position in the mobile telephony segment, the Group is one of the primary convergence operators in France with an attractive "quadruple-play" offer (consisting of pay-TV products, access to high speed internet, fixed telephony and mobile services). The Group also considers its SFR brand, which has been present in France for more than 25 years, to be known for the reliability of its network and for the quality of its customer service. As of December 31, 2015, the Group has access to a mobile network covering 64% of the population of metropolitan France with its 4G network and more than 96% of the population of metropolitan France with its 3G network. The Group aims to expand its 4G network coverage to 99% of the French population by 2020.

B2B market

In the B2B segment, the Group operates through its SFR Business brand and is the largest alternative operator to the incumbent in France serving over 190,000 companies. The Group benefits from strong customer relationships and has the ability to respond to the growing demand of medium-sized businesses for increasingly sophisticated voice and data services. The Group offers data services, including IP VPN services (virtual private network on IP), LAN to LAN (local network), internet, security services, hosting and "cloud computing," mobile telephony services and voice services, in particular voice call services, VoIP and Centrex. The Group benefits from an extensive combined fiber and DSL network in France.

Wholesale market

In the Wholesale segment, the Group is the largest national alternative player by revenues and number of subscribers, offering wholesale connectivity services for fixed-line and mobile voice calls, wholesale connectivity services for data, wholesale fiber infrastructure services as well as triple-play DSL white label packages and very-high-speed offers. The Group offers a broad portfolio of products with a significant base of national and international operators. It is the main competitive alternative to the incumbent provider, addressing the entire spectrum of the wholesale market in France and providing services to local, national and virtual operators, as well as to international operators in France.

Description of the Group's operations

B2C Market

Presentation of the B2C activity

Overview and key figures

The Group positions itself as the leading alternative telecommunications operator in France in the B2C market. As of December 31, 2015, under all of its brands, the Group had 15.1 million mobile subscribers and 6.3 million fixed (broadband and very-high-speed broadband) subscribers. With 1.8 million FTTH and FTTB subscribers, the group positions itself as a leader in the very-high-speed fixed broadband segment in France.

The table below details the Group's key B2C operating data as of the years ended December 31, 2013, 2014 and 2015.

	As of December 31,		
	2013 (Aggregated)[2]	2014	2015
	(in thousands)		
Mobile subscribers	**17,036**	**16,238**	**15,137**
Of which post-paid	13,257	13,004	12,604
Of which pre-paid	3,780	6,577	6,353
Fixed-line subscribers[1]	**6,582**	**6,577**	**6,353**
Of which ADSL	5,102	5,030	4,538
Of which FTTB and FTTH	1,480	1,547	1,814

(1) Excludes stand-alone telephony subscribers.

(2) The aggregated operating data as of and for the year ended December 31, 2013 presents operating data as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2013.

Brand policy

In 2015, the Group marketed its B2C offers under four brands: SFR, Numericable, Red and Virgin Mobile. In order to streamline its operations and offerings, the Group has decided to focus in the future on the SFR brand (for the "all-inclusive" premium offers) and the Red brand (for "*à la carte*" digital offers). The Numericable and Virgin Mobile brands will be gradually phased out.

A strategy focused on very high-speed broadband and contents

The Group's ambition is to offer its subscribers a better content "consumption" experience at all times, in all places and from all terminals. This is reflected in our ambitious policy of investment in access networks. The Group is already able to provide very-high-speed broadband to 7.7 million households in France and aims to expand the number of homes passed by fiber to 12 million in 2017, 18 million in 2020 and 22 million in 2022.

This ambition is also driven by product innovation. On November 17, 2015, the Group launched "Zive box by SFR", a new "all-in-one" box with innovative functions and advanced usages, at the heart of the home. The box is notably equipped with a fiber 1Gb/s modem, a TV 4K/UHD set-top box, a 500 Gb hard disk for recording and live-broadcast control, as well as what we believe to be the best WiFi connection on the market with wireless support of the 802.11ac standard, all of which strengthen the central position of the Zive box in subscribers' households. Alongside the launch of the Zive box, we also unveiled a new simple and ergonomic interface designed to offer the best multi-screen TV viewing experience and meet the needs of our subscribers' families as well as a new version of the SFR TV application, which offers continuity at home and when on the move.

Lastly, the Group's policy is to proactively expand the content available to its subscribers. The SVOD "Zive" offer launched on November 17, 2015, which initially contained over 5,000 HD programs (and will contain 15,000 by the end of 2016) and the most extensive 4K/UHD catalog currently available (nearly 600 programs at launch). Our "Extra Zive" offer (which is included in our "Power" range), allows subscribers to access such content on multiple screens (for example on smartphones or tablets).

The Group has invested significantly in premium sports contents by acquiring several rights to broadcast major events, including the English Premier League and the French professional basketball championship.

Fixed activity

Overview

The Group, through its various brands and products, offers a number of fixed-line telecommunications services. These are mainly available via fixed-line broadband or very-high-speed broadband internet and its subscriber premises equipment (i.e. a modem and/or set-top box). Our services, in addition to unlimited broadband and very-high-speed broadband internet access, include fixed telephony, IP television and access to video content. Our fixed services are generally offered in double-, triple- or quadruple-play bundles over different access technologies (ADSL, VDSL, FTTB and FTTH) depending on particular offers and customer eligibility. The broadband speed offered to subscribers varies according to their access technology and can reach up to 1 Gb/s.

In 2015, all or part of our B2C services were marketed under four brands: SFR, Numericable, Red and Virgin. As of December 31, 2015, the Group had 6.3 million subscribers for its fixed-line broadband and very-high-speed broadband offers (of which 1.8 million were very-high-speed broadband subscribers). The offers below represent fixed offers provided by the Group as of December 31, 2015.

Presentation of the SFR brand offers

As of December 31, 2015, the Group had approximately 6.3 million subscribers for its broadband and very-high-speed broadband offers, some 4.5 million of whom subscribed through ADSL and VDSL access technologies.

(a) Fixed-line internet offer (one-play)

SFR offers broadband internet access (ADSL or VDSL depending on subscribers' eligibility), that can be bundled with a preselected telephony service. The internet access service (with unbundling and including pre-selection) is offered at €15.90 per month (plus €1 per month for access to TV services on smartphones, tablets and computers).

(b) Internet and telephony bundled offers (double-play)

SFR offers broadband internet access services (ADSL or VDSL depending on subscribers' eligibility) as part of double-play bundled offers which also include unlimited telephony services to fixed lines in metropolitan France, the French Overseas Territories and to more than 100 international destinations. These offers can be bundled with unlimited telephony options to mobile lines and to other international destinations.

This "SFR Box" offer is available to (i) subscribers unbundled by SFR at the rate of €26.99 per month and (ii) subscribers bundled by SFR at the rate of €31.99 per month, in each case plus €3 per month for box rental and €1 per month for the "TV on smartphones, tablets and computers" service.

(c) Internet, telephony and IP television bundled offers ("triple-play")

(i) ADSL and VDSL technologies

Triple-play offers comprise the "double-play" services above and an IP television service. SFR offers three ranges of triple-play offers: Starter, Power and Power+. These offers notably include broadband internet access (ADSL or VDSL), 10 Gb of "SFR Cloud" storage, unlimited calls to fixed lines in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to "TV by SFR" packages, including 200 channels and services under the Starter offer (TV by SFR starter package), 240 under the Power offer (Power TV by SFR package) and 280 under the Power+ offer (Family TV by SFR package), including over 130 channels accessible in multi-screen option with the SFR TV application. The SVOD "Zive" service is included as standard in the Power and Power+ offers and can be included in the Starter package for an additional €9.99 per month.

These offers are available at €36.99 per month for the Starter package, €46.99 per month for the Power package and €53.99 per month for the Power+ package, plus €3 per month for rental of the modem and the "Evolution" set-top box (which includes an inbuilt 120 Gb hard disk, which can be expanded to 250 Gb) for the recording of programs and live-broadcast control. The "Evolution" set-top box also provides access to several add-on services, such as catch-up television, program guide and VOD rental store.

Customers can also subscribe to pay-TV options including over 200 additional channels, optional TV Passes (Découverte, Jeunesse, Cinéma, BeIn Sports, OCS), ethnic programming packages and the SVOD Zive service (which is included in the Power and Power+ packages).

(ii) FTTB fiber technology with coaxial termination

Subscribers eligible for FTTB technology have access to triple-play offers only, including very-high-speed broadband internet access and telephony services by SFR and TV by Numericable TV. These offers are available with the SFR Fiber box or the SFR Zive Fiber box, which are all-in-one boxes enabling access to the internet, telephony and to television by Numericable.

We offer three levels of FTTB triple-play offers: Starter, Power and Power+. These offers include very-high-speed broadband internet access (up to 200 Mbps for Starter, up to 400 Mbps for Power and up to 800 Mbps for Power+), 10 Gb of "SFR Cloud" storage (10 Gb for Starter and 100 Gb for Power and Power+), unlimited calls to fixed lines in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to "TV by Numericable" packages, including 200 channels and services under the Starter offer (TV by Numericable starter package), 240 under the Power offer (Power TV by Numericable package) and 280 under the Power+ offer (Family TV by Numericable package), including over 150, 190 and 220 channels under the Starter, Power and Power+ offers, respectively, accessible in multi-screen option with the SFR TV application. The SVOD "Zive" service is included as standard in the Power and Power+ offers and can be included in the Starter package for an additional €9.99 per month.

These offers are available at €36.99 per month for the Starter package, €48.99 per month for the Power package and €57.99 per month for the Power+ package, plus €3 per month for rental of the "SFR fiber box" or "SFR Zive fiber box" (which includes an inbuilt 160 Gb hard disk which can be expanded to 500 Gb). The "SFR fiber box" and "SFR Zive fiber box" offer many advanced functions such as program recording, live-broadcast control, a "restart" function, a picture-in-picture function and internet surfing. The SFR fiber box and SFR Zive fiber box also provide access to several add-on services, such as catch-up television, program guide and VOD rental store.

Customers can also subscribe to pay-TV options including over 200 additional channels, optional TV Passes (Sport Premium, Jeunesse Premium, BeIn Sports, OCS), ethnic programming packages and the SVOD Zive service (which is included in the Power and Power+ packages).

(iii) "FTTH" fiber optic technology

Subscribers eligible for FTTH technology have access to triple-play offers only, including very-high-speed broadband internet access, telephony services and IP television packages. These offers are made available with the "SFR Box" and "Evolution" TV set-top box.

We offer three levels of FTTH triple-play offers: Starter, Power and Power+. These offers notably include very-high-speed broadband internet access (up to 200 Mbps for Starter, up to 400 Mbps for Power and up to 1Gb/s for Power+), 10 Gb of "SFR Cloud" storage (10 Gb for Starter and 100 Gb for Power and Power+), unlimited calls to fixed lines in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to "TV by SFR" packages, including 200 channels and services under the Starter offer (TV by SFR package), 240 under the Power offer (Power TV by SFR package) and 280 for Power+ (Family TV by SFR package), including over 130 channels accessible in multi-screen option with the SFR TV application. The SVOD "Zive" service is included as standard in the Power and Power+ offers and can be included in the Starter package for an additional €9.99 per month.

These offers are available at €36.99 per month for the Starter package, €48.99 per month for the Power package and €57.99 per month for the Power+ package, plus €3 per month for rental of the "SFR box" and the "Evolution" set-top box (which includes an inbuilt 120 Gb hard disk which can be expanded to 500 Gb). The "Evolution" set-top box comes with many advanced functions such as program recording and live-broadcast control. The "Evolution" set-top box also provides access to several add-on services, such as catch-up television, program guide and VOD rental store.

Customers can also subscribe to pay-TV options including over 200 additional channels, optional TV Passes (Découverte, Jeunesse, Cinéma, BeIn Sports, OCS), ethnic programming packages and the SVOD Zive service (which is included in the Power and Power+ packages).

(d) "Home by SFR" offer

We offer two products as part of our "Home by SFR" range, an automation and home surveillance service: the "Video Alarm Package" (€9.99 per month) and the "Premium Video Alarm Package" (€19.99 per month). The Video Alarm Package includes a management center for connected equipment, an HD camera connected with an integrated motion detector, an internal siren, a smoke detector, an opening detector and a remote control. The "Premium Video Alarm Package" includes the equipment mentioned earlier, a control keyboard, a 3G key, two motion sensors and 24/7 Europe Assistance support. The HD camera may be managed remotely from a computer or the Home by SFR application.

(e) Convergent fixed-line/mobile offers ("quadruple-play")

To meet customer household needs, SFR offers the opportunity to combine fixed-line and mobile offers. These offers are provided at attractive rates through "Multi-Pack" discounts of up to €10 per month per mobile line.

(f) Mobile telephony

SFR offers two fixed telephone services that do not require an internet connection:

- pre-selection offers (call-by-call selection or automatic pre-selection), where the customer keeps his subscription with the incumbent operator; and
- offers that include telephone line subscription, where the customer subscribes for telephone service directly with the Group, and no longer with the incumbent operator.

Presentation of the Numericable brand offers

As of December 31, 2015, the Group had approximately 1.8 million very-high-speed broadband subscribers using FTTB technology.

(a) Digital television

Our Numericable brand offers a wide selection of over 400 TV channels and services through three "TV by Numericable" packages: Starter, Power and Family. These packages contain 200 TV channels and services under the "Starter TV by Numericable" package, 240 under the "Power TV by Numericable" package and 280 under the "Family TV by Numericable" package, each offered at €25.99 per month, €30.99 per month and €36.99 per month, respectively (each excluding set-top box rental of €5 per month).

Customers can also subscribe to several optional thematic passes (for example, Cinéma Premium, Découverte Premium, Sport Premium, Jeunesse Premium, Emotion, OCS and BeIn Sports), as well as ethnic programing packages (for example, Spanish, Portuguese, German and African).

Subscribers also have access to a VOD catalogue of approximately 30,000 programs.

(b) Very-high-speed broadband internet and fixed telephony ("double-play")

Numericable's internet and fixed-line telephony range offers three packages bundling internet and fixed-line telephony: Starter, Power and Power+. The internet broadband speed offered varies depending on the package: up to 100 Mbps for the Starter package, up to 200 Mbps for the Power package and up to 400 Mbps for the Power+ package (which can be increased to 800 Mbps for €2 per month). Each of these three offers includes SFR Cloud storage (10 Gb for the Starter and 100 Gb for the Power and Power+ packages), unlimited calls to fixed lines in 100 destinations and to mobile lines in France, as well as unlimited calls to mobile lines in North America and Asia under the Power+ package. Each of the foregoing offers also includes a second fixed-telephone line as standard.

These offers are available for €29.99 per month, €33.99 per month and €36.99 per month for the Starter, Power and Power+ packages, respectively.

(c) Internet, telephony and IP television bundled offers ("triple-play")

In order to offer comprehensive services to its subscribers, the Numericable brand offers three bundled triple-play deals to its subscribers: "Fiber Starter Box", "Fiber Power Box" and "Fiber Power+ Box". Each of these all-inclusive offers bundles TV (including set-top box rental), internet and fixed-line telephony offers by offering a "great deals" discount.

The "Fiber Starter Box" is offered (excluding promotions) at €39.99 per month, the "Fiber Power Box" is offered at €48.99 per month and the "Fiber Power+ Box" is offered at €57.99 per month (plus €2 per month for a broadband speed of up to 800 Mbps).

The Numericable brand's triple-play offers are available with the "LaBox Fibre", our all-inclusive box combining telephony, TV and very-high-speed broadband internet access. The "LaBox Fibre" comes with an inbuilt 160 Gb hard disk (which can be expanded to 500 Gb) and provides access to advanced functions such as programs recording, restart function and picture-in-picture function.

(d) Analog television services

Analog television services consist of broadcasting coded analog audio and video signals. This service is also provided to the incumbent's subscribers who have chosen not to subscribe to one of the Group's digital offers on the remainder of the Group's network.

In order to streamline the Group's operations and offerings, offers under the Numericable brand will be gradually phased out.

Presentation of the Red brand offers

Since 2015, Red by SFR has been marketing an internet access offer providing up to 100 Mbps at the rate of €29.99 per month. The offer provides access to SFR's fixed-line very-high-speed broadband network and unlimited calls to fixed lines in metropolitan France and to more than 100 destinations. A TV option, available for €2 per month, provides access to 25 channels and a catalog of pay-TV and VOD options via a TV set-up box. Subscribers who have a Red mobile line and a Red internet line can get discounts on their mobile package every month.

Presentation of the Virgin brand offers

The Group also offers its subscribers a "Virgin box" fixed offer for €29.99 per month, available upon subscription and support across the Virgin Mobile's distribution network. "Virgin box" subscribers have access only to our ADSL network (i.e. it is not a very-high-speed broadband internet offer), but enjoy the same services as SFR subscribers (in particular for TV) except premium services (such as the SFR TV application and multi-screen functionality). Virgin box fixed-line subscribers are not eligible for multi-pack discounts, but receive their own quadruple-play program that is linked to the Virgin Mobile packages.

In order to streamline the Group's operations and offerings, offers under the Virgin brand will be gradually phased out.

Mobile activity

Overview

The Group serves the entire French mobile market, through its pre-paid and post-paid offers. Post-paid offers account for the bulk of our mobile activity, with approximately 12.6 million subscribers, or 83% of our mobile subscriber base, subscribing to post-paid offers as of December 31, 2015. In the post-paid market, the Group offers a full range of voice and data solutions through its different brands, covering all the market's requirements. These offers are provided with or without commitment or a subsidized handset, and with premium or no-frills services. The offers below represent mobile offers provided by the Group as of December 31, 2015.

Presentation of the SFR brand offers

(a) Post-paid premium offers—SFR's 4G packages

Our SFR brand offers six premium, post-paid, 4G mobile telephony packages with rates ranging from €9.99 per month (for our Starter 2H+100 Mb, which includes a 12-month commitment) to €89.99 per month (for our premium 150 Gb offer, which includes calls to and from international locations, a subsidized handset and a 24-month commitment). All of our offers include unlimited SMS and MMS but come with a variable volume of voice and internet data according to the selected package. Subscribers to these packages all have access to SFR's very-high-speed broadband internet network (3G+ and/or 4G/4G+).

Our SFR brand's 4G packages offer access to a subsidized handset and are enriched by a number of features, for example, optional exclusive "Extra" content as part of our Power 5 Gb package (such as iCoyote, Napster, Zive, SFR Jeux, Le Kiosk and L'Equipe), access to SFR Cloud (providing storage capacity of 10 or 100 Gb according to the package), SFR TV options (with access to direct or on-demand television from a mobile phone handset) and Multisurf (which provides additional SIM cards to allow data to be shared with other devices). Some of these packages provide services accessible from abroad, for example for 15 days per year from Europe and the French Overseas Territories as part of our Power 5 Gb package. Some of these offers are also available in bundled packages, and subscribers with SFR's 4G packages can get multi-pack discounts if they also subscribe to an SFR box offer.

These offers are available across all of our SFR brand's distribution channels.

(b) Remote access offers—"*Connecté Partout*" (connected everywhere)

Four "*Box de poche*" or tablet packages are offered as part of our remote access offers. These packages allow subscribers to access our mobile network (3G and/or 4G) the SFR Wifi service and the SFR TV service. Two offers from €7.99 per month for 1 Gb of internet are available for subscribers who already have handsets or devices. For subscribers that wish to buy a "Box de Poche" or a tablet at a reduced price, SFR offers two packages with a 24-month commitment marketed at €19.99 per month for a 10 Gb package and €39.99 per month for a 15Gb package (each including up to 3 Gb of internet that can be used from abroad).

For occasional users, "Box de Poche" offers and pre-paid "ready to surf" kits are available for €9.90. These offers include 200 Mb of internet valid for two weeks and can be subsequently topped up through SFR Connecté Partout (connected everywhere) top-ups from 200 Mb to 4 Gb.

(c) "SFR La Carte" pre-paid offers

Attractively priced pre-paid packages are offered under our "*SFR La Carte*" brand. After a SIM card is purchased, at the price of €9.99, it can then be topped up by phone, by internet, by purchasing coupons or tickets at physical points of sale (for example newsagents, media stores, or SFR spaces) or through ATMs of certain banks that are partners of the Group. Several pre-paid top-up options are available to subscribers, offering voice, SMS, MMS, international calls and data packages, sold for between €5 and €95 according to their type and the valid term of their credits (which can be from two days to five months).

As of December 31, 2015, the Group had approximately 2.5 million pre-paid subscribers in metropolitan France.

Presentation of the Numericable brand offers

Mobile telephony offers under the Numericable brand, offered at rates of between €2.99 and €25.99 per month, are provided on Numericable's distribution channels which use the Group's mobile networks. In order to streamline the Group's operations and offerings, offers under the Numericable brand will be gradually phased out.

Presentation of the Red brand offers

Four commitment- and handset-free post-paid packages are offered under the Red brand for between €5.99 and €25.99 per month. These offers are available upon subscription mainly via the website redbysfr.fr, with the lines also being managed online via the same website. Subscribers with Red packages have access to the same network technologies as subscribers with SFR mobile offerings. However, subscribers do not enjoy services linked to SFR mobile offerings and are not eligible for multi-pack discounts.

Presentation of the Virgin brand offers

Mobile offers marketed under the Virgin Mobile brand are made available to subscribers and distributed by Virgin Mobile distribution channels. Offers under the Virgin Mobile brand consist of non-binding offers available from €4.99 per month, offers with subsidized handsets and an offer with a 24-month commitment available from €13.99 per month. Subscribers can adapt their offers to their needs by signing up to "Dooble data" or "Cockpit conso" options and obtain better prices by adding a fixed-line (Virgin Box) offer to their mobile product. Virgin Mobile subscribers have access to SFR's mobile networks. In order to streamline the Group's operations and offerings, offers under the Virgin brand will be gradually phased out.

Network

With the largest fiber network in France, passing over 7.7 million homes and extending over more than 1,000 municipalities, and a leading mobile network, the Group aims to become the national leader in the convergence of very-high-speed fixed-line and mobile technologies.

In the area of very-high-speed broadband, the Group intends to maintain its competitive edge and contribute to the success of the French government's very-high-speed internet plan through significant investments into our very-high-speed network and aims to expand its fiber footprint to 12 million homes passed in 2017, 18 million in 2020 and 22 million by 2022. As a result of this investment, we intend to continue to lead the market and support B2C and B2B migration from ADSL to fiber technologies.

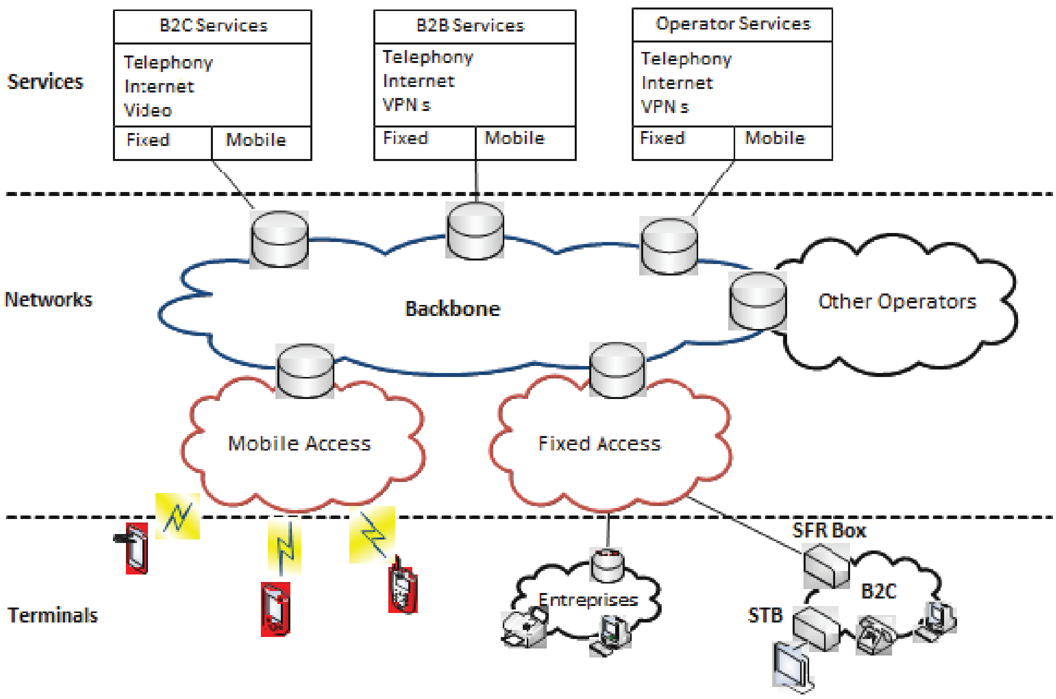
The Group aims to deliver quality experience in broadband and high-speed broadband to all its subscribers both for fixed-line and mobile services. As a result, the Group is investing in its own network infrastructure in order to be able to develop quality, innovative and convergent services while reducing its costs. The Group's networks not only allow the transmission of both fixed-line and mobile voice and data traffic across France, but they are also interconnected to the networks of the rest of the world thanks to the Group's interconnection arrangements or through transiting carriers.

The Group intends to continue investing in cutting-edge technologies that make it possible to anticipate market changes and meet future traffic needs.

Overview of architecture of a telecommunications network

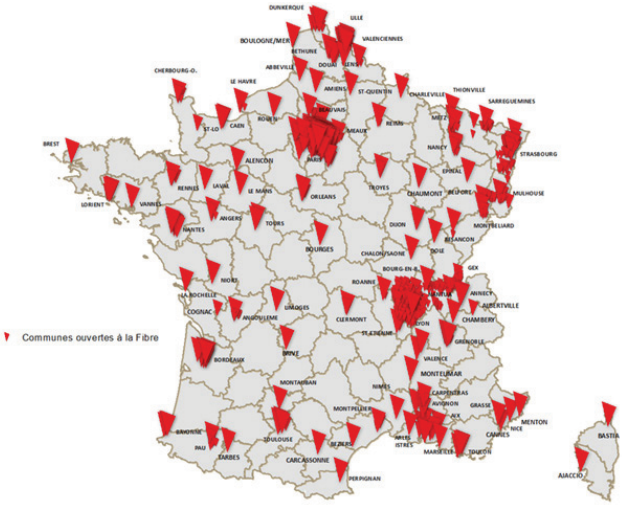
The pace of technological development and evolution in the telecommunications sector is intense and will continue to intensify in the face of rapid changes in consumer internet usage, both through fixed-line and mobile mediums. As a result, the Group has sought to streamline its networks over the past several years.

Overview of the Group's network



Fixed-line network

Fiber coverage as of December 31, 2015



Very-high-speed internet

With regards to very-high-speed internet, the Group is rolling out fiber in all existing technologies (FTTB and FTTH), with the goal of delivering the best quality very-high-speed internet to its subscribers. The Group is actively committed to the success of the French government's very-high-speed internet plan. With its fiber optic network, the Group provides its subscribers with bit rates of between 100 Mb/s and 1 Gb/s. The Group continues to update its existing 30 Mb/s connection terminals in order to increase the bit rate of subscribers to between 100 Mb/s and 1 Gb/s.

The Group owns its network infrastructure, headends, access nodes and other parts of its access network, including the long-distance backbone (see "—*Backbone*", below). The technical installations in which the cables of the Group's network are installed (e.g. pylons) are owned by the Group or Orange (to which the Group has access by means of long-term indefeasible rights of use ("IRUs")). Several telecommunications operators can occupy or use the same technical installation or even the same telecommunications equipment, without affecting the quality of the service provided to end subscribers. As of December 31, 2015, the Group had the largest fiber optic network in France with more than 7.7 million homes passed eligible for fiber. The Group's fiber network is already marketed in more than 1,000 municipalities across France and, in 2015, more than one million new housing units were made eligible for access to the Group's fiber network.

Fiber to the building ("FTTB")

With technical performance levels comparable to those of other FTTx technologies, FTTB is the most widespread technology in the world (including in the United States, Germany, Belgium, the Netherlands and other countries).

FTTB seeks to bring fiber optic as close to housing units as possible and to rely on the existing coaxial cable within buildings to connect the end subscriber to the fiber network. FTTB offers two key benefits: first, it allows for a simplified connection of subscribers and therefore a faster deployment of fiber in France, and secondly it offers a TV service quality recognized to be superior to all other available technologies (source: IDATE study, 2015).

Fiber to the home ("FTTH")

Since 2007, the Group has also been deploying its own subscriber connection links by means of FTTH fiber technology, which also enables the delivery of bit rates of up to 1 Gb/s. Our FTTH technology relies on a network of 320 optical nodes from which the final links depart to connect its private and business customers in optical fiber, enabling them to use Orange's copper connection links. FTTH technology presents a significant technical opportunity given that, as with FTTB, network speed is not technically limited by distances to network connection nodes, unlike other technologies such as VDSL where actual speed decreases as the distance between network connection nodes and the end-user increases.

A pragmatic approach to promote deployment

In order to meet the growing needs of users, the Group is taking a pragmatic approach to the deployment of its very-high-speed broadband offers. In both very densely populated areas itself, and in less densely populated areas by private partnership, the Group is continuing its fiber deployment where we are the leading operator and we continue to co-invest with Orange in areas where Orange is responsible for deployment. We also continue to deploy our very-high-speed network in less densely populated areas as part of public initiative networks with local authorities.

DSL

In providing our DSL fixed-line broadband services, the Group relies on a DSL network of almost 7,100 unbundled main distribution frames ("MDFs") as of December 31, 2015. While the Group benefits from what has historically been very good DSL technology coverage, the Group also possesses the French market's largest fiber optic network and, as a result, is looking to support the migration of subscribers from ADSL to fiber optic technologies in order to meet the gradual increase in B2C and B2B subscribers' internet usage.

Mobile network

The Group's mobile access network has more than 18,700 radio sites, each comprising a transmitter/ receiver (the base station), transmission equipment and environment infrastructure (for example, pylons, technical rooms, energy workshops and antennas). These radio sites are relayed to the fiber optic backbone through fiber optic connections or radio connections owned either by the Group or through the network links we lease from Orange.

The Group has made investments in mobile frequencies from different mobile spectrum auctions organized by the French regulatory authorities. As a result, the Group has a diversified portfolio of frequencies (which support 2G, 3G and 4G technologies) and a spectrum allocation that covers our current and future mobile network requirements.

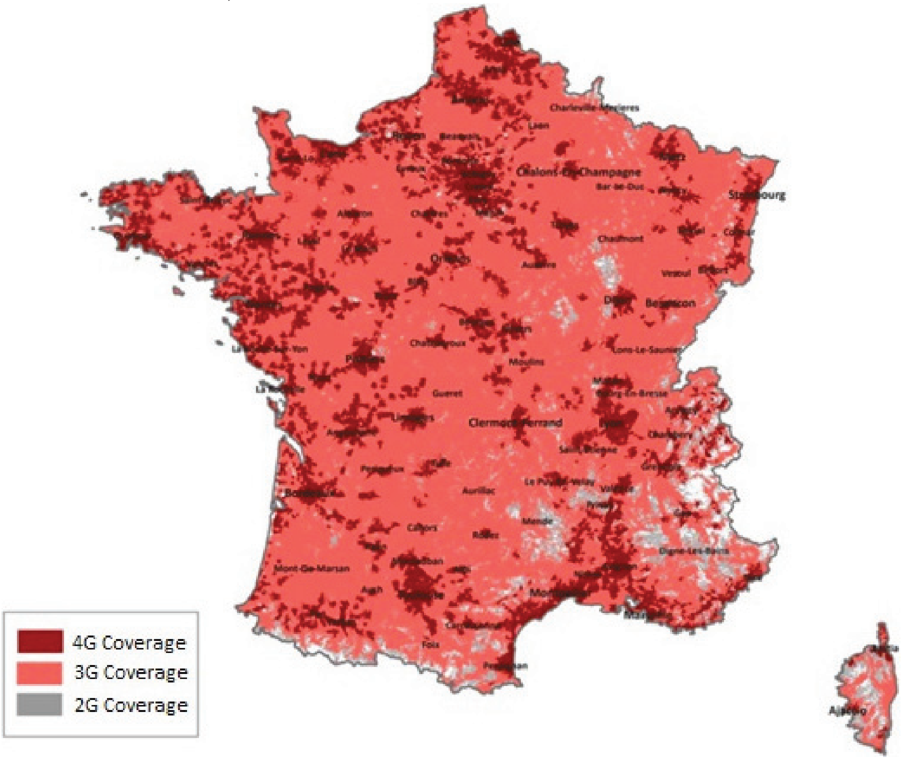
Following the spectrum auction organized by ARCEP in November 2015 for the allocation of frequencies in the 700 MHz band, the Group expanded its spectrum portfolio with a new 5 MHz block. The Group's low frequency portfolio now comprises 25 MHz in total, broken down into 5 MHz in the 700 MHz band, 10 MHz in the 800 MHz band and 10 MHz in the 900 MHz band. Together with the 55 MHz the Group owns in high frequencies, the Group's total portfolio now has 80 MHz (after the refarming of the 1800 MHz band), making it one of the most advanced portfolios on the market. The Group thus believes it will be able to meet subscribers' coverage and performance needs, in particular in less densely populated areas, with respect to mobile internet and increasing data usage over the coming years.

Mobile coverage

Through the significant deployment on its radio sites of the different 2G, 3G and 4G technologies, the Group aims to cover all mobile connectivity needs in mainland France. As of December 31, 2015, the mobile network of the Group covered 99.7% of the French population in GSM/GPRS (2G) and more than 96% of the population on the UMTS/HSPA (3G/3G+) network. In order to support new mobile internet usages, SFR is also continuing to extend the capacity of its 3G network.

SFR has access to a 4G network accessible to 64% of the population of mainland France. As the first operator to launch 4G technology in France, the Group is continuing the deployment of its 4G/4G+ coverage. In the last quarter of 2015, the Group commissioned a record 1,080 4G network sites, the best performance in the mobile sector (source: ANFR's 2G/3G/4G Observatory). The Group recently announced its ambition to be on par with respect to 4G coverage with the current mobile market leader, Orange, by the end of 2017, covering 70% of the population and aims to cover 99% of the population by the end of 2020.

4G coverage as of December 31, 2015



With a view to increasing download speeds, making internet browsing more enjoyable and improving its service quality, the Group is also deploying 4G+. Considered to be an updated version of 4G, 4G+ is able to deliver download rates that are even higher than those already available with 4G (i.e., maximum theoretical bit rates of 187.5 Mb/s) thanks to the aggregation of 800 MHz and 2600 MHz frequencies. 4G+ technology makes it possible to speed up downloads and facilitates the sharing and viewing of HD content on the go.

4G deployment

Gradual, systematic deployment of Single-RAN technology

Access to the Group's mobile network consists in total of more than 18,700 radio sites, equipped with one or more items of transmission/reception equipment (base station), each dedicated to a single technology (2G or 3G) or latest generation equipment ("Single-RAN"), which enables 2G, 3G and 4G technology to be managed by means of a single item of equipment.

The Group uses the deployment of 4G technology as an opportunity to systematically replace its older antennas with Single-RAN technology, enabling its subscribers to benefit from a high-quality, very-high-speed network, while also making the most of the technical and financial benefits of Single-RAN technology.

Single-RAN technology provides certain technical advantages. First, it enjoys higher performance, both in terms of quality of mobile voice and capacity, thanks to its ability to use optimal technology (3G/4G) and frequencies (specifically 900MHz). The effectiveness and reliability of its connectivity are also optimized thanks to the use of unique transmission technology (comparable with the use of several technologies on alternative equipment referred to as "Overlay"). Secondly, it facilitates technological evolution (such as the introduction of 3G 900 or 4G 1800 for example), thanks to a simple software development which requires no intervention with or amendment to the physical technology components. Single-RAN technology also possesses the prerequisites for the evolution toward LTE-Advanced (e.g. 4G+) technologies.

The use of the Single-RAN technology also provides certain economic benefits, particularly due to the reduced amount of equipment necessary in the Group's mobile network. As a result, the deployment of Single-RAN technology reduces the amount of mobile network sites required in the Group's mobile network, reducing the need for investment, and maintenance work on the Group's network, generating operating savings, whilst at the same time facilitating technological evolution.

Finally, Single-RAN technology also improves customer experiences due to the increases in coverage and availability it delivers and the increased capacity over all frequencies and mobile technologies (2G, 3G and 4G).

Mobile network transformation program

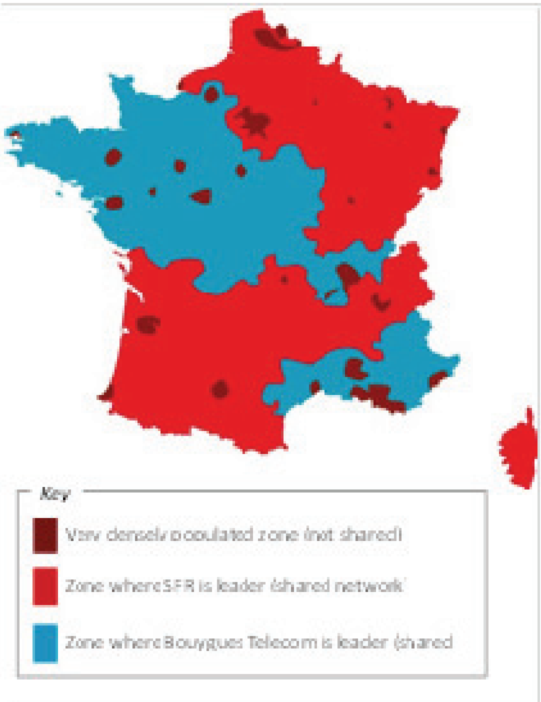
In 2014, the Group launched a large-scale program to upgrade 2G, 3G and 4G technologies. This program is part of development phase that is crucial to ensuring that the Group, in the future, has a quality mobile network. The Group views the extensive transformation program as an investment for the next twenty years.

Transforming our mobile network and doing everything possible to offer customers an optimal, and high-quality, standard of service is one of the Group's key priorities. The transformation of our network requires that we replace our 2G and 3G equipment with next generation equipment, deploy 4G and re-allocate a portion of our 900 MHz frequencies to 3G, so as to offer better mobile internet coverage within buildings.

The transformation program will significantly increase the capacity of our 2G and 3G networks, improve coverage and service quality, allow us to deploy 4G in 800 MHz and 2.6 GHz, and to re-deploy our 900 MHz spectrum in 3G for optimal coverage within buildings. The network transformation program started with the 32 French cities that are home to more than 200,000 inhabitants and by December 31, 2015, had extended to Aix en Provence, Angers, Antibes, Avignon, Béthune, Bordeaux, Brest, Cannes, Clermont-Ferrand, Dijon, Douai, Lens, Grenoble, Le Havre, Le Mans, Lille, Lyon, Marseille, Metz, Montpellier, Nantes, Nice, Orléans, Paris et petite couronne, Reims, Rennes, Rouen, Saint-Etienne, Toulon, Toulouse, Tours and Vitrolles.

Mobile networks sharing agreement

SFR and Bouygues Telecom entered into an agreement on January 31, 2014, whereby they agreed to pool part of their wireless networks. The goal of this agreement is to allow Bouygues Telecom and the Group to offer our respective customers better geographic coverage and service quality, while optimizing costs and investments. The agreement calls for the roll-out of a new shared network in an area corresponding to 57% of the population of France (encompassing the entire territory, other than the 32 largest population centers with more than 200,000 inhabitants and so-called "white spots"). See "—*Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*" for more information.



Backbone

In order to offer all its customers a top-quality user experience, the Group has developed its own, unique transport network, enabling the routing of all of the Group's mobile and fixed-line traffic. The Group's network is based on a modern, high-quality infrastructure, both with respect to its backbone and its mobile and fixed-line access networks.

The Group has one of the largest backbones in France. This backbone is a national transport infrastructure with more than 50,000 km of fiber optic cable enabling the connection of more than 160 metropolitan loops in the territory. In addition, the Group's backbone is accompanied by a network of approximately 100 data centers spread across the French territory.

Technical characteristics

The backbone (which provides the main voice and data transmission routes between large, strategically interconnected networks and the network's main routers) is used by the Group to route the digital signals of subscribers throughout France. The data backbone currently functions in "All-IP" and transports all Group communication using specific bandwidths for each of the Group's digital services (digital television, high-speed internet, B2B data services and B2C fixed-line telephone services). The Group believes that its backbone is fully able to meet the needs of its subscribers.

Transmission network and IP transport network

For its optical transmission network, the Group has chosen a "meshed" architecture, namely one that is constructed in the form of inter-linked loops, thereby securing traffic flow as much as possible. In the past, the Group built its optical transmission network on the basis of national agreements with RFF and Voies Navigables de France. The Group has extended this vast transmission network by also renting fibers to third parties (for example, Réseau de Transport d'Electricité) and to Orange, specifically for the connection of MDFs.

To be able to handle increasing traffic, the Group has deployed the highest performing optical technology available to date. The Group has constructed an Internet Protocol ("IP") transport network that is multifunctional and features very high capacity. It is situated above the optical transmission network. The backbone routers use Nx100G technology and as a result can support connections of a unitary capacity of 100 Gb/s.

The Group network can manage internet access services using the addresses in IPv4 or IPv6 format for its B2C, B2B and Wholesale customers. It can also transport voice, data and video flows (for example, television services on multicast IP or VOD).

Data centers

In order to meet the needs of the B2B segment, the Group has more than a hundred data centers in France. These data centers consist of one or more properties equipped with 24-hour security and surveillance services and include several rooms with cabinets containing the servers, kept at an ideal temperature and with permanent electricity supplies. The servers hold the data and applications to be used by B2B customers, who benefit from a secured connection to the data center servers.

Marketing

Overview

The Group has a robust and multi-channel distribution network, combining local channels (stores, presence in the shelves of major food retailers, shopping mall stands, as well as door-to-door salespeople) and distance selling channels (such as websites and telesales) allowing it to cover the entire domestic market. In 2015, each of the Group's brands had its own distribution channels. In order to streamline the Group's operations and offerings, the Numericable and Virgin Mobile brands will be gradually phased out.

Stores

SFR spaces

As of December 31, 2015, SFR had approximately 690 "SFR spaces" in France which sell all of our SFR brand's fixed and mobile offers. This network of SFR spaces is operated by two subsidiaries of the Group (SFD and Cinq-sur-Cinq) as well as independent partners. Our SFR spaces are complemented by approximately twenty "SFR Corners" in the largest Fnac stores in France. Regular investments are made to the SFR spaces network in order to modernize it and maintain the quality of in-store experience.

In addition to offering subscription services, SFR spaces offer subscribers (and prospective subscribers) a range of services including product demonstration and discovery services (such as La Box workshops) and helpdesks.

Our SFR brand has a multi-channel approach to its product marketing. Thanks to the "web to shop" service, SFR allows its subscribers to order a product online or through telesales (for example a mobile phone handset as part of signing up for a new subscription or renewing an existing one), and to then collect that product at their nearest SFR space. Depending on the availability of the desired product, the customer may pick it up within 48 hours. Furthermore, we have developed the "e-propale" service, which allows estimates to be generated through all sales channels following a customer contact. These estimates can then be finalized by the subscribers themselves, either online or in person in a SFR space.

Numericable stores

As of December 31, 2015, our Numericable brand's store network had 133 points of sale, run by the Group and independent partners. In the second half of 2015, these stores were gradually transformed into "Fiber Expert Spaces" which led to changes in the merchandising of Numericable stores (for example, window sticker and point of sale advertising combining our Numericable and SFR brands), the gradual introduction of services for SFR subscribers (Fiber Box and La Box SFR workshops) and the marketing of "La Box Fibre SFR" from October 2015.

The selection of SFR as the Group's primary brand calls for the harmonization of our store network. We anticipate that all stores in our network will become SFR spaces offering a full range of premium products and services to the general public.

As part of our efforts to streamline the Group's operations and offerings and consolidate the Group's marketing network, a number of the Group's existing Numericable brand stores have been, and in the future will be, closed as the Numericable brand is gradually phased out.

Virgin Mobile stores

As of December 31, 2015, our Virgin Mobile brand's store network consisted of 29 points of sale, almost all of which were run by independent partners. As part of our efforts to streamline the Group's operations and offerings and consolidate our marketing network, our Virgin Mobile brand's stores will be closed in 2016 as the Virgin Mobile brand is gradually phased out.

Large Retailers

SFR products are distributed in a number of major food retailers (for example, Auchan and Carrefour), as well as in a few specialized multi-brand telecommunications and electronics stores (in particular Vivre Mobile, Internity, Boulanger, Avelis Telecom and Mobile Hut). Such "Shop in shops" marketing SFR's fixed-line product are also present in a number of shopping malls across France.

Door-to-door selling

Door-to-door selling is another mechanism for marketing of the Group's offers. Our door-to-door selling teams operate across the country and consist of both the Group's employees and independent contractors.

Websites

The Group is present on the internet via the websites of its different brands: sfr.fr, numericable.fr, red.sfr.fr and virginmobile.fr. The purpose of the websites is to market offers through online stores, improve customer relations (by providing customer discussion spaces, online assistance and so forth) and offer services (such as webmail).

The websites of our SFR brand have more than 100 million visits monthly, with more than 25 million unique visitors.

Telesales

The Group also markets its offers via the telesales channel. As an indicator, SFR telesales in 2015 generated approximately 285,000 outbound contacts and processed approximately 200,000 inbound calls per month.

Customer service

Digital customer relations service

In order to give subscribers the autonomy they demand, SFR continues to develop and promote its digital customer service tools, in particular its "Customer Space" on the web and its MyAccount application for smartphones. These digital services, available 24/7, allow all subscribers to manage their services and find answers to their administrative, sales-related and/or technical questions. With the launch of the innovative self-diagnosis functions of its boxes, SFR now allows its subscribers to monitor the status of their boxes and get online technical support. SFR continues to improve the customer experience with its self-care solution and creation of the digital customer relation service in 2015.

Multi-channel customer relation service

In addition to our digital solutions, SFR has approximately 10,000 advisors that help our subscribers on the telephone and/or through other contact modes such as chat-rooms, email, forums and social networks (Twitter, Facebook and others). SFR spaces play a key role in multi-channel customer service, offering subscribers on-the-spot support. The ability of points of sale to better assist our subscribers and resolve their problems is a priority for the Group.

To improve the quality of how requests are handled, SFR is streamlining the tools used by its advisors. To improve customer satisfaction, SFR is developing the ability to detect malfunctions as soon as possible and to resolve them before the customer reports them. Tested in 2016, these proactive actions will become more widespread going forward.

To support the expansion of fixed-line very-high-speed broadband internet, SFR, in 2015, created units of advisors dedicated to customer service. These advisors specifically help subscribers that choose fiber for the first 100 days of their very-high-speed broadband experience.

B2B Market

Overview

Changes in usage reveal new trends in the B2B market, which revolve around issues of performance, reliability and, more generally, security. Development of mobility and remote work capabilities, as well as proliferation of exchanges and collaborative work, have resulted in the growth of data usage, specifically in terms of mobility, for all customer terminals, and created new needs for digitalization of applications and data.

The Group offers its B2B customers a full range of fixed and mobile services including voice services for traditional switched voice services and VoIP and data services, such as the provision of very-high-speed internet access, provision of connection services for professional websites (IP VPN, LAN to LAN and SAN to SAN), cloud and hosting services and ICT solutions.

The Group's B2B customers consist of small, medium and large businesses, as well as public administration entities, which often have several websites. We currently meet the needs of our customers via a catalog of standardized solutions.

The Group has a sales team organized into direct and indirect distribution networks to market and service its offers in the B2B segment. The Group's sales representatives combine know-how, motivation and experience, providing a strong regional and local presence, and have close relationships with the local authorities and administration. The Group's offering is suited to the needs of each of its small, medium and large business customers and government agencies. The sales teams are able to determine customers' needs and the best way of responding to them. Before signing a new contract, the Group considers the costs of acquiring the new contract (i.e., the necessary investment expenses) in comparison to its value.

The Group uses the following segmentation to respond the specific needs of its customers:

- A major accounts segment marketed through direct sale only. For major accounts, both public and private, the Group offers, through internal sales teams, tailored, reliable and secure solutions based on a combination of standardized products and more specific additional services. This segment is dealt with by the Commercial Department, Major and International Accounts.
- A large businesses and public procurement segment. This segment is dealt with by the Commercial Department, Corporates.
- A corporates segment covering in particular SMEs (i.e. businesses with more than 20 employees) marketed through indirect marketing via a network of independent "SFR Business Space" distributors. This segment is dealt with by the Commercial Department, Corporate Distribution.
- A micro-businesses (3–19 employees) segment market through FUTUR, the network of SFR Business brokers via standardized, efficient, reliable and predictable solutions in terms of costs. The network has more than 500 active brokers. This segment is dealt with by the Commercial Department, Micro-Businesses.

- A Commercial Department Service for the marketing of ICT services (Cloud solutions, Internet of Things business line, customer relations, security, network infrastructure, and unified communications).

In the B2B segment, the Group has established a customer service structure through a Customer Relations Department and a Corporate Deployment Department, specifically suited to the needs of its B2B customers and which is available 24/7. The Group's computerized customer management interfaces (in particular CustomerSpace) provide a centralized and multi-channel customer service approach suited to the needs of B2B customers.

The Group's standard service contract for B2B customers includes commitments to restore service, in particular within four hours for fixed-line voice and data services.

The Group also offers additional value-added services suited to the needs of B2B customers in terms of roll-out and operation.

Voice and Mobile Data Offers

The Group's mobile offers are intended for all segments of the B2B market, and include five mobile telephony voice and data packages, which follow the same format as the Group's B2C offers, containing additional options that integrate unlimited SMS/MMS as well as various levels of data usage, in addition to four data access packages for tablets and computers, which offer internet access ranging from a few Gb to several tens of Gb depending on the offers.

Management and control service offers

The Group offers cost management services to businesses. These include simple tools, such as a dashboard of telecommunications expenses and consumption, which allow businesses to effectively manage their fleet of handsets.

Handset management and security offers are available to all business customers. Our Mobile Device Management offer allows business customers to remotely manage and secure their fleet of smartphones and tablets, in particular by erasing the business' information in the event of theft. The handsets are configured in a centralized manner through a Cloud platform.

Fixed-line voice offers

Our B2B fixed-line voice offers consist of two fixed-line telephony packages, which are offered to all business customers. They include calls to fixed and mobile lines of the company's in-house SFR fleet with privileged support: dedicated customer service, guaranteed restoration in less than four hours with the dispatch of a technician if necessary, and the choice of single, consolidated or separate billing.

Fixed data offers

The Group offers all of its business customers two fixed data offers:

- the IPnet offer from VPN IP SFR DSL, for interconnecting businesses' different websites into a private network. Connections can be made using the DSL or fiber technology. Additional services allowing remote access, centralized and secure internet access or support can be added to this offer; and
- the Connect offer, which provides access to the dedicated fiber or single-site SDSL, with symmetrical speed and guarantee up to 1 Gbps in fiber or 16 Mbps in SDSL, and a main router.

Voice and data specific to SMEs/micro-businesses

The packages offered by the Group to SMEs and micro-businesses follow those the packages offered to B2C customers. They also include specific additional benefits suited to SMEs and micro-businesses, such as the possibility of making priority appointments in SFR spaces, a dedicated customer service function, the free Femto technology and the reimbursement of a second SIM card.

These mobile offers for SMEs and micro-businesses also provide professional telephony services (business directory services, fleet management, customer space, usage alert, financial monitoring solutions, etc.) with terminals selected to meet professional needs and with a discussion service on the site.

Fixed-line services specific to SMEs/micro-businesses

The Group offers an advanced version of its internet box to small businesses, with services suited to this segment. It also offers SMEs/micro businesses broadband and very-high-speed broadband internet access solutions with security services tailored to business needs (connection security and filter rules, access availability with backup access, etc.). Lastly, the Cloud Business Store allows customers to access a catalog of applications corresponding to their business segment.

Solutions specifically suited to the major account segments

The SFR IPnet offer for major accounts and businesses contains multi-site access in France and abroad (virtual private network with data traffic transport and prioritization). It makes it possible to transport and protect information between a company's sites in France and abroad, thereby improving the performance of its applications.

The SFR Ethernet offer, intended specifically for major accounts, includes a LAN for connecting to the business's local networks through a very-high-speed broadband network. It thus makes it possible to allocate and share the network resources (LAN, servers) of the customer, and connect its main sites (head office, datacenters) via a flexible point-to-point architecture, with a broad range of speed and access options (from 6 Mbps to 1 Gbps).

Business Enterprise Pack

The Business Enterprise Pack is an offer for enterprises, from SMEs to large companies wishing to use the service of a provider handling the overall management of the business communication services (managing telephony service, equipment and telecommunications usage). This offer provides not only a standard telephone service (call forwarding, call transfer, conferences, etc.), but also the convergence of fixed and mobile services (single number, single email system, accessibility rules).

SFR provides a dedicated project manager during set-up and installation on the site by licensed technicians.

Business Entrepreneur Pack

The Business Entrepreneur Pack offered to micro businesses is focused on telecommunications and Cloud solutions. It is intended for businesses with less than 20 employees, and comes with a very competitive minimum package, to which each fixed and mobile line is simply added. There is also a shared fiber optic version of this all-in-one offer.

IT Services

In addition to connectivity solutions, the group offers a range of IT infrastructure and telecommunications services in customized or packaged, on-site or as a service, formats depending on needs and the business segment. To do so, it partners with the big technology companies in each area of expertise.

These offers are grouped in five business lines, and can be supplemented with consulting and support services.

(a) IT Infrastructure Business Line

This business line brings together hosting offers in the Group's data centers, platform hosting in public or private cloud mode, disaster recovery plan and content acceleration. An Infrastructure as a Service ("IaaS")-type infrastructure on demand solution is offered to customers, especially major accounts. The solution comprises a service for hosting servers in a shared environment. It allows the company to manage, optimize and change part or all its information system infrastructure on-demand and based on its requirements. It is thus a secure IT resource outsourcing solution.

(b) Unified Communications Business Line

This business line combines video conferencing, audio confrencing, messaging, collaboration and advanced business telephony solutions. The portfolio notably includes:

- SFR Sync, a service for automatically synchronizing the data of a business, made available on all workstations and work tools of employees. Files are saved and access to them is protected.
- Office 365 Collaboration, which regroups in the same user license Microsoft Office tools (professional messaging, conference and instant messaging, online document sharing site, and office automation applications), and thus makes them accessible online at any time.

- Business Corporate Pack, offered specifically to large companies. This Cloud unified telephony and communications solution is adaptable to every company and is based on four main pillars: advanced corporate telephony and communications functions, an on-demand service with pay-per-use, the guarantee of a single contact for an end-to-end commitment and a Customer Space allowing the customer to manage telephony and collaboration services autonomously on a daily basis. The Pack consists of a service platform in the network core and a centralized operator voice access, built on the existing network or the customer's SFR Ipnet. It offers customized end-to-end support for design, roll-out and operation. In addition to corporate telephony and collaboration functions, users will get a softphone service (i.e. telephony software for making calls over the internet) and a single number. They can therefore be reached at any time both within and outside of the company and on all types of fixed and mobile terminals.

This offering also includes the capacity to deploy customized on-site and hosted-mode solutions.

(c) Customer Relationship Management Business Line

The Group provides several solutions to meet the customer relationship management needs of its B2B customers.

- Special number offers: The Group has been a special number operator for nearly 15 years. Approximately 6,000 companies are among the Group's special number customers. In total, more than 195,000 special numbers activated on the SFR network totaled in excess of 1.7 billion minutes in 2015.
- Call center offer/Call Contact offer: Launched in January 2016, the Call Contact offer is an interactive voice server and call center solution in cloud mode. Call Contact relies on an intuitive web interface for the call center manager and comes with special numbers.
- Contact center offers ("Genesys by SFR" and "Cross-Channel Contact Center" solutions): The "Genesys by SFR" and "Cross-Channel Contact Center" solutions cover call centers for very large accounts (above 1,000 call center advisors) and standard accounts (50 to 500 call center advisors). These hosted solutions allow companies to manage their in-bound contacts homogeneously, whatever the channel of communication used by the customer (for example telephone, e-mail, mail, fax, chatting, social networks or avatars). Providing customers with a 360 degree view, these solutions require significant integration with the customer's information system.
- Marketing campaign management offers ("MultiChannel Broadcast" and "Broadcast Pack"): The Group offers two outbound multi-channel marketing campaign management solutions: the "MultiChannel Broadcast" package, intended for large companies, and the "Broadcast Pack", for SMEs, each allowing the sending of messages (per unit or in direct marketing mode) via a channel best suited to the target (for example, SMS, MMS, e-mail, fax or voice announcement). Campaigns are managed through an online extranet or Programming Interface Application.

(d) Internet of Things Business Line

The Internet of Things business line provides standard or made-to-measure connectivity and integration of professional solutions. These offers allow a group of fixed or mobile machines to share information with a central server, for example geo-location or bank card payment services. To meet the specific needs of critical, sensitive and/or large volume projects, the Group is able to offer suitable services and pricing.

(e) Security Business Line

The Group offers integrated and managed solutions for internet access protection and security. It works closely with security specialists to meet its customer's security requirements. The Group also offers secure terminal and remote access management solutions with private virtual networks (PVNs).

The Group also provides answers to so-called advanced threats such as system intrusion attempts or denial of service attacks (anti-ddos).

Our Service Internet Security range of solutions offers several levels of internet access protection, depending on the size of the company and the desired level of security. These offers are marketed either as packaged with internet access links or dedicated to secure complex multi-operator environments.

SFR Collectivités Activities

SFR Collectivités, a subsidiary dedicated to local authorities, was created to support the SFR Group's network and service deployment strategy to meet the needs of local authorities. Beyond the cooperation ties between the SFR Group and these local authorities, SFR Collectivités also manages major long-term partnerships such as the Public Initiatives Networks (*Réseaux d'Initiatives Publiques* or "RIP"). These physical networks built by regional authorities with private-sector participation are mostly managed in the form of public service delegations. SFR Collectivités rolls out fixed and mobile infrastructure to extend the appeal and coverage of territories and can support regional authorities from design right up to the operation of these telecommunications networks. With 28 RIPs, the Group is the leading operator in the RIP segment.

Wholesale Market

Overview

The Group, via its Operator Services Division ("DSO"), is a leading operator next to the incumbent operator in France in wholesale telecommunications services. The Group also has a certain number of assets in this market, such as the broad spectrum of its catalog, close relationships with its customers and the experience gained over the past 16 years in this specific segment.

The Group is involved in the operator market in France and abroad, dealing more specifically with operators serving the B2C market, the B2B major account market and the B2B micro business/SME market.

At the end of 2014, the B2C segment witnessed consolidation with the SFR Acquisition and Virgin Mobile Acquisition. This resulted in contraction of the market that can be served by the DSO and, correspondingly, its revenues. However, there remains significant market potential for the DSO, especially through new growth drivers in the very-high-speed fixed-line and mobile broadband segment.

The market for the B2B major accounts segment remains dynamic, due to, among others factors, the significant increase of speed and the requests for network security by large companies, increasing the sales volume of the DSO in this segment. The Group's significant customers in the B2B major accounts segments are major international incumbent operators.

The SME/micro-business B2B segment is witnessing a number of emerging players every year. Though this segment continues to be served mainly by the incumbent operator, local or specialized telecommunications operators in this segment are still experiencing growth. The biggest operators in this segment are now offering their own telecommunications services and positioning themselves with respect to all products from fixed voice to fixed and mobile data.

Solutions offered

Through the DSO, the Group offers domestic and international operators telecommunications solutions to help them meet the needs of their own B2C and B2B customers.

The Group is currently marketing telecommunications infrastructure solutions, fixed voice solutions, fixed data solutions, white label solutions, mobile solutions, and roaming solutions for foreign operators.

(a) Infrastructure solutions

The Group has capacities for IT and telecoms equipment hosting, which it markets in particular to international players, in addition to the connectivity and data transport solutions. Its infrastructure offer also comprises the marketing of access to its ducts or the provision of fiber optics.

This infrastructure allows an operator that wants to develop its own telecoms network in France to do so using the solutions offered by the Group.

(b) Fixed voice solutions

The Group meets domestic and international voice transport needs through call transit, collection and termination offers. With these solutions, third-party operators in France or abroad can use the Group's network to connect to the networks of other operators.

The Group also offers turnkey solutions to local or national players such as pre-selection, VoIP on DSL and FTTB access links, resale of the Orange subscription and marketing of value-added services (08xx numbers), allowing them to be the single contacts of their end-customers by managing all voice invoices.

The Group also offers third party operations VoIP (Voice over IP – internet calls) services coupled with internet access solutions, allowing them to offer a comprehensive solution that meets all the telecommunications needs of their end customers.

(c) Fixed data solutions

To meet the internet connectivity requirements, the Group offers end-to-end internet access solutions, with or without a router, as well as IP VPN solutions. These solutions allow the third-party operator to use the network and get the Group's support.

The Group also meets collect-mode connectivity needs so that operators can recover data traffic directly on their network. It equally allows international operators to build seamless offers including France in their offering (international IP VPN).

With these solutions, the Group offers all ADSL, SDSL, LL, FTTB, FTTH-type access solution and the dedicated fiber of its own network. The Group also offers to collect traffic from other operators in France. The Group can thus be the single point of contact for its operator customers.

(d) White label solutions

The Group offers white label broadband and very-high-speed broadband access links in double-play and triple-play to third-party operators. These solutions allow these operators to resell, under their own brand, turnkey solutions to their customers.

In accordance with commitments made to the Competition Authority, the Group published wholesale access reference offers for its high-speed broadband cable network. In this context, a first offer under "white label" allows MVNO operators not deploying FTTH network and do not have their own box to access the cable and market their own offers. A second offering, called "bitstream" allows all internet providers deploying FTTH networks using cable access to offer high speed broadband deals using their own box and their own user interfaces.

(e) Mobile solutions

The Group offers comprehensive offers on the mobile virtual network operators market ("MVNO"). These offers are intended for operators without a network that wish to market a mobile offer. The group offers Full MVNOs (a voice, SMS and data mobile collection offer), MVNOs light (end-to-end mobile services): national, calls abroad, *roaming*, etc.) and via MVNO aggregators that provided turnkey solutions.

(f) Roaming solutions for foreign operators

The Group receives roaming traffic of foreign operators on its mobile network in order to ensure them continuity of service in France. The hundreds of agreements that the Group has signed with most foreign mobile operators allow it to cover nearly 280 destinations, and to offer an equivalent service to its subscribers when they are in a foreign country.

This roaming solution is now also available to Full MVNOs that wish to benefit from these agreements to meet the needs of their own subscribers.

The Collective Market

The "Collective Market" offer is targeted at property developers in France and allows them to deploy SFR's very-high-speed broadband solutions in existing and new buildings. The market is mainly made up of residential properties and is comprised of either property development or publicly or privately managed property (including low-cost housing, co-owned properties and properties managed by an agent). This offer is also aimed at the serviced housing units market (student apartments, senior residences and others), as well as the independent hotel groups market.

Within this framework, business activity revolves around two main areas:

- The roll-out of FTTH networks by subscribing to Building Management roles for buildings that are co-owned or managed as a public housing cooperative; and
- Signing of collective service contracts: the services allow residents of buildings under contract to have a maintenance contract allowing them, without an individual subscription, to get a television or triple-play service.

Activities of Société réunionnaise du radiotéléphone ("SRR")

Société réunionnaise du radiotelephone ("SRR"), a subsidiary of SFR, operates in La Réunion and Mayotte in the B2C and B2B markets. In the mobile segment, this subsidiary is holder of a GSM (2G) license and a UMTS (3G) license and serves more than 99% of the population in 2G and 93% of the population in La Réunion.

La Réunion

B2C Market

In the B2C market, SRR offers fixed-line and mobile solutions. As of December 31, 2015, mobile solutions under the SFR Réunion brand are comprised of four packages, two block packages, and a prepaid card option. Under the NRJ Mobile brand, which is mainly aimed at youth customers, a prepaid card and blocked option are offered.

Packages are available with or without commitment, and with or without a handset. Rates (with 12-month or 24-month commitments and handset) range from €19 to €89 per month including taxes, depending on the voice, SMS/MMS and data package.

SRR also offers block packages under the SFR brand: "Formules Carrées" package, available with or without commitment and with or without a handset, at rates from €19 to €29 per month including taxes (with a 12-month or 24-month commitment and handset). An NRJ Mobile CRAKE offer is available with commitment and terminal at €22.90, and SFR La Carte and NRJ Mobile prepaid cards without commitment are available for €15.

SRR also offers remote access solutions, "Carré tablette" for which rates vary from €30 to €40 per month (with 12-month or 24-month commitment and handset) and "SFR La Carte Web" for €25.

Fixed-line B2C offers are comprised of two triple-play packages, one for €49.90 per month including taxes (which includes over 130 TV channels, of which 42 are in HD) and one for €39.99 per month including taxes (which includes over 100 channels, of which 28 are in HD).

B2B Market

In the B2B market, SRR offers voice solutions through its "Formules Carrées" packages, which range from €19 to €89 per month including taxes (with a minimum period commitment and a handset). SRR also offers data solutions, which include Machine-to-Machine ("M2M") as well as "Formules Carrées" packages for tablets and internet dongles. Three of SRR's SFR spaces have a special reception area for businesses.

Through the redbysfr.re website, SRR also offers no-frills offers at €6.99 (RED2H) and €19.99 (REDMAXI, which includes unlimited voice, unlimited SMS/MMS, 2 Gb of data and 35 days of voice roaming in metropolitan France, SMS and data to metropolitan France and La Réunion).

Mayotte

In Mayotte, SRR also serves the B2C and B2B markets. In the mobile segment, it serves 99% of the territory (more than 97% of the population) in 2G, and more than 99% of the territory (more than 89% of the population) in 3G. In the B2C market, SRR offers, under the SFR Mayotte brand, mobile and fixed-line solutions. Fixed-line solutions include the SFR box, including triple-play offers. In the B2B market, SRR, under the same brand it uses for the B2C market, offers voice solutions and data solutions including 3G mobile internet and M2M internet.

Activities of Equity-Accounted Affiliates

The main equity-accounted entities of the Group include:

La Poste Telecom

The Group holds 49% of the share capital of La Poste Telecom that markets, under the La Poste Mobile brand, telephony, subscription and prepaid cards through the network of post offices. La Poste Mobile is an MVNO on SFR's network.

Synerail

See "*—Material Contracts—Wireless Network Agreements—Agreement Related to the GSM-R Wireless Telecommunications Network*" below.

Numergy

The objective of Numergy is to develop, operate and market cloud computing services. The Group previously owned a 46.7% stake in Numergy, in association with Bull (20%) and Caisse des Dépôts (33.3%), and, on January 22, 2016, the Group bought the shares held by Caisse des Dépôts and Bull. As a result, the Group now owns 100% of the share capital of Numergy.

Seasonality

With regards to B2C activity, the year-end period is a period of extremely sensitive sales. A major defect in information systems or in any component the production and logistics chain during this period would adversely affect revenues. To prevent this risk, the Group avoids working on the network and information systems during this period of the year (from mid-November until year end).

With regards to fixed-line B2C activity, revenues from standard analog pay-TV services and basic and high-end cable pay-TV as well as broadband internet service, are mostly based on fixed monthly pricing and are therefore not subject to seasonal changes. The increase in the number of customers is generally higher from September to January, reflecting a greater tendency for households to equip themselves during back-to-school and year-end periods.

Sales to B2B customers generally grow in June and December which are periods when private and public-sector businesses create their budgets, while revenues from B2B telephony services tend to reflect the timing of school holidays, with a slight drop during summer and winter vacations as well as during May holidays, but the drop is not significant.

Suppliers

The Group has relationships with several suppliers that provide it with hardware, software and services necessary to operate the Group's network. Our main hardware and software suppliers in the B2C segment are: Sagemcom and Ubee, which manufacture set-top boxes and broadband routers on the Group's behalf and for which the Group owns the IP rights; Cisco, Arris and Alcatel Lucent, which provide cable router termination systems (i.e., equipment typically located in the head-end or hubsite that the Group uses to provide high-speed data services); Pro-Cable, Arbor, Oracle and Orian, which as the Group's enterprise resource planning provider supplies it with billing and related software and hardware; and Nagra France, which provides the Group's conditional access system.

Our main hardware and software suppliers in the B2B segment are: Cisco, which provides data network parts and CPEs, such as servers; Huawei, which provides voice network components and voice CPEs; Genbad, which provides voice network maintenance; Ciena and Nokia, which provide fiber and data network components; and Arbor, which provides billing software.

The Group uses a limited number of subcontractors to maintain its network, operate its call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Group employees performing only a small portion of installations. Certain services can be self-installed by the Group's customers, but most still require a professional installer. The Group's agreements require that the subcontractors maintain certain quality levels and use trained personnel, and the Group monitors the efficiency and quality of service provided by the subcontractor on a regular basis.

With the exception of Nagra France and certain contracts described under "—*Material Contracts*", the Group believes that it is not dependent on any one supplier that the loss of any one supplier would not have a material adverse effect on the Group's business, and that the Group could replace its key suppliers without materially disrupting the Group's business. The Group's contract with Nagra France, which was entered into in October 1999 expired in 2007. Upon expiration, it is tacitly renewed for successive five-year periods, subject to termination by either party upon six months' notice prior to the end of any such five-year period. The last tacit renewal took place on January 1, 2012 and expires December 31, 2017.

Material Contracts

A summary of certain material agreements reached by the Group follows.

Telecommunications Agreements

Interconnection

Interconnection is the means by which the Group is connected with third-party operators, enabling the provision of electronic communications services to end users. For a subscriber of a telephone network to be able to call an end user located on another telephone network, the subscriber's network service provider must connect to the end user's network or to the network that transfers the call to the end user's network. As a general rule, the operator of the network that is transferring the call and the operator of the end user's network (if different to the former) bill the subscriber's service provider for the expenses incurred in transferring traffic and/or call termination. These expenses are calculated based on the rates for call establishment and the duration of the telephone calls. The interconnection rates and expenses are regulated by ARCEP (see "*Regulation—Digital single market—National regulatory authorities—ARCEP*" for further information).

The Group has entered into an interconnection agreement with Orange for an indefinite term. The agreement may be terminated by the Group subject to three months' written notice. The Group has also reached interconnection agreements with other operators for routing traffic.

Unbundling

Unbundling consists of the supply by Orange of local copper-wire loops to third-party operators, which then install their own transmission equipment on those local copper-wire loops, allowing such operators to ensure end-to-end management of the network connecting it to its customers. The Group has entered into an agreement with Orange for accessing its local loops.

Supply Agreements

Content Agreements

The Group has entered into several agreements with publishers for broadcasting digital television channels, including TF1, Groupe M6 and Canal+. These agreements are generally for renewable three-year terms. Different compensation models are applicable, primarily regarding the provision of non-linear TV offerings (e.g. deferred broadcasts and catch-up TV), with compensation being determined on either a flat-rate price or based on the number of subscribers using such services (the latter of which is the market (and Group) trend).

Handset Supply Agreements

SFR has entered into a number of agreements through which it procures wireless handsets and accessories. Additionally, SFR considers itself to be in a commercially dependent relationship with regard to a handset supplier whose high-visibility products are not replaceable in its customers' eyes.

Partnership Between SFR and Vodafone Sales & Services Limited

On April 1, 2014, SFR entered into an exclusive partnership agreement with Vodafone Sales & Services Limited that replaced a previous agreement from 2011. The new agreement is for a duration of four years, renewable on a yearly basis thereafter. Its purpose is to provide SFR with access to certain (including third-party) brands, products and services in France, allowing SFR to provide Vodafone products and services on its own and under its own brand name, in exchange for an annual fee payable to Vodafone. Through this partnership, SFR benefits from Vodafone's commercial relations with certain clients and providers. Vodafone has not expressed any intention on its part to terminate this agreement following the of SFR Acquistion.

This partnership includes a roaming agreement whereby each party undertakes to route part of its international traffic through the other party's network and allows each of the parties to offer a global telephone service range to their subscribers.

Finally, the partnership includes a cooperation agreement involving the drafting of strategic initiatives in the areas covered by the agreement, with the purpose of improving both parties' operational efficiency, primarily through development policies involving B2B services (landline-cell convergence and M2M), Cloud and other hosting services), thus reducing costs and enhancing differentiation.

In January 2016 SFR and Vodafone Sales & Services Limited signed an amendment to the partnership agreement designed primarily with the view to integrate Altice within the partnership and exclude fixed offers from the scope of the agreement. The amendment also extended the partnership until March 31, 2020. On March 21, 2016, SFR, Altice and Vodafone signed a new agreement to renew the partnership with Altice assuming SFR's rights and obligations. This novation agreement incorporates the terms of the partnership (as modified) and extends the benefits of the partnership to Altice's companies in the Dominican Republic (Tricom and Altice Hispaniola), subject to additional membership agreements these companies have signed. These agrements define specific commitments related to roaming and rules applicable to customer management in the territories concerned.

Infrastructure and Network Agreements

Agreements Regarding the Different Networks

For more information on agreements relating to infrastructure and network please see "*Business of the Group—Network*".

Agreement Between Orange and SFR Relating to Fiber Optics Roll-Out

On November 14, 2011, SFR entered into a joint investment agreement with Orange for the roll-out of fiber cable in less densely populated areas in continental France, which account for some 10 million households. Under this agreement, SFR is required to roll out fiber to 2.4 million households and Orange is required to roll out fiber optics to 7.6 million households, each by 2020.

To avoid any overlaps, the agreement designates for each municipality the operator in charge of the roll-out, ensuring the most optimal timeline and coverage. Each of the parties will become a client of the other by signing IRU agreements in the areas where they will not themselves deploy the fiber. The other operators will have access to these infrastructures through standard operator market agreements. Each party undertakes to cover each municipality within five years of the start of the roll-out.

The French Competition Authority's decision of October 30, 2014 imposed certain obligations on SFR with regards to the implementation of this agreement.

Wireless Network Agreements

Bouygues Telecom Agreement

SFR and Bouygues Telecom entered into an agreement on January 31, 2014, whereby they agreed to pool part of their wireless networks. The goal of this agreement is to allow the Bouygues Telecom and the Group to offer our respective subscribers better geographic coverage and service quality, while optimizing costs and investments. The agreement calls for the roll-out of a new shared network in an area corresponding to 57% of the population of France (encompassing the entire territory, other than the 32 largest population centers with more than 200,000 inhabitants and so-called "white spots").

The agreement is based on two principles:

(i) The creation of a common *ad hoc* company that manages the assets of the pooled radio sites, i.e. the passive infrastructures and geographic areas where the infrastructures and telecommunications equipment are deployed. SFR and Bouygues Telecom preserve the full ownership of their active telecommunications equipment and frequencies; and

(ii) The mutual provision of RAN-sharing service in 2G, 3G and 4G in the shared territory. Each operator is responsible for the part of the territory in which it assures the design, roll-out, operation and maintenance of the RAN-sharing service.

Under the agreement, SFR and Bouygues Telecom preserve their own innovation capabilities as well as full commercial and pricing independence, and continue proposing differentiated services thanks to the control of their network cores and frequencies. The agreement to partially pool wireless networks follows many similar arrangements implemented in other European countries.

On January 31, 2014, ARCEP approved the agreement, provided three conditions were met: (i) the preservation of the operators' strategic and commercial autonomy; (ii) the absence of an eviction effect on certain market competitors; and (iii) an improvement of the services provided to users in terms of both coverage and service quality.

On April 29, 2014, Orange filed a complaint with the French Competition Authority regarding the agreement, arguing that it constituted an anti-competitive practice. The case is currently being reviewed by the courts. For more information on the proceedings, see "*Business of the Group—Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Orange vs SFR and Bouygues Telecom (Network Sharing Agreement)*".

Agreement Related to the GSM-R Wireless Telecommunications Network

SFR holds a 30% share in the company Synérail, along with Vinci Energies and Vinci Concessions (collectively, "Vinci") and AXA Infrastructure Investissement SAS, AXA UK Infrastructure Investissement SAS and AXA Infrastructure Partners FCPR (collectively, "AXA") and TDF, which signed with the public-private GSM-R partnership agreement with RFF. Vinci and AXA each hold a 30% share, while TDF holds the remaining 10%.

The agreement, which has a duration of 15 years from March 24, 2010, and an overall value of approximately €1,000 million, consists of ensuring the financing, construction, operation and maintenance of a digital telecommunications network that will assure communications (voice and data) in conference mode between trains and ground controllers. This allows the creation of a European rail network system with a single, compatible and harmonized communication system that replaces existing national radio systems. The network will be progressively deployed along 14,000 km of traditional and high-speed rail lines in France.

SFR is also a service provider in the construction and operation phase of the GSM-R network through the companies Synérail Construction and Synérail Exploitation, which it holds jointly with Vinci Energies. In the event of a change in control of SFR, Vinci Energies has a purchase option on the stock of these two companies. This option was not, however, exercised as a result of the SFR Acquisition.

Agreement for the Occupation of the Public Domain of Réseau Ferré de France

The SFR Group has entered into a set of agreements with RFF regarding public domain occupation, through which SFR occupies the infrastructures to set up its network.

White Label Agreements

The Group is party to agreements with Darty Telecom (relating to DSL and fiber white label services) and Bouygues Telecom (relating to fiber optic white label services), under which it provides television, very-high-speed internet access and/or telephone services to each of Darty Telecom and Bouygues Telecom, which then market them as part of double- or triple-play offers on the Group's network under their own brand and with their own subscribers. The Group continues to explore the possibilities of entering new white-label deals as part of its undertakings following the decision of October 27, 2014, by the French Competition Authority approving the SFR Acquisition.

Pursuant to the white label agreements, the Group undertakes to abide by certain quality and performance standards, and penalties may be levied against it by its white label clients if these undertakings are not fulfilled. Each of these white label clients pays the Group monthly fees based on the number of end users to whom they sell bundled offers or, in the case of certain voice service agreements, based on usage. The Group's white label clients must pay additional amounts for any supplementary services they require, including customer and billing services. The billed amounts include (i) the subscription fee, which depends on the type of services subscribed, (ii) telephone service costs, and (iii) VOD costs.

Moreover, the Group reached a white label fiber agreement in May 2009 with Bouygues Telecom for the provision of very-high-speed internet access services, which expires in 2019. At the initial expiry date, the agreement will be automatically renewed for an unlimited duration, unless 24 months' notice of termination is given by Bouygues Telecom or 12 months' notice of termination is given by the Group.

In May 2012, Bouygues Telecom acquired Darty Telecom, which became its fully-owned subsidiary. Consequently, the existing white label agreements were amended (in December 2012) to reflect the new commercial relationship between Darty Telecom and Bouygues Telecom.

MVNO Agreements

SFR is party to several end-to-end wireless service provision agreements with mobile virtual network operators ("MVNOs") whose activity depends on access to the mobile network of one or more mobile operators. As of the date of this Offering Memorandum, SFR is party to 12 MVNO agreements, the most important of these being with La Poste Telecom (49% of which is held by SFR and the remaining 51% by Groupe La Poste) and El Telecom (NRJ Mobile).

Properties

As of December 31, 2015, the Group owned property, plant and equipment with a value of approximately €8,006 million, of which the Group's telecommunications network represented most of this total value. For more information on the Group's network, see "—*Network*", above. The Group leases some of its property, plant and equipment, particularly certain buildings and telecommunications network infrastructure.

Property, plant and equipment owned or leased by the Group consist primarily of the following.

Tertiary and mixed-use sites

The Group owns or leases, directly or indirectly, thirteen main tertiary sites, consisting of office buildings (sometimes with adjacent technical facilities) throughout mainland France, mainly in regional cities, ranging in size from 2,500 to 11,000 square meters and totaling around 100,000 square meters (excluding our technical facility at Vénissieux).

SFR also leases 22 other large tertiary sites representing a total area of 212,000 square meters, through commercial leases entered into under normal market conditions. These sites include in particular:

- the Group's headquarters in Saint-Denis, divided into two lots representing a total area of 123,720 square meters. The site has been leased to SFR under four leases, two with a fixed term of 11 years and 9 months (from December 4, 2013) and two with a fixed term of 11 years and 9 months (from November 2015); and
- office space and technical facilities in Courbevoie and Strasbourg, totaling around 55,145 square meters, and office premises in Massy, Gentilly, Lille Republic, Efixo Marseille and Grenoble, totalling around 18,149 square meters.

The Group also owns two premises in Champs-sur-Marne (Paris-Ile de France) and rents the Béla Bartók site (where the Issuer is headquartered).

Technical sites

The technical sites of the Group are classified in three categories: (1) mobile switching centers ("MSC"), (2) radio sites (transmitting/receiving sites with transmitting/receiving antennas) and (3) fiber-optic exchanges.

The Group owns around 50 MSC buildings. Radio sites consist of approximately 21,000 sites of various types (existing buildings, undeveloped land, water towers and pylons) of which 3,000 are leased to other major operators, such as TDF Group, Accord and the SNCF. Approximately 6,500 sites have been transferred to Infracos, the Group's joint venture with Bouygues Telecom (see "*—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*" for more information). Fiber-optic exchanges primarily include small local optical connection nodes, which are a priority acquisition for the Group. The Group owns the optical fiber and coaxial cables of its network, as well as its equipment, head-ends, nodes, switches, connection equipment and certain other parts of the access network, including the long-distance backbone network. The cable infrastructure used in our network (such as ducts and pylons) is owned by the Group or Orange (in which case Orange makes them available to the Group under long-term IRUs). See "*—Network*", above.

Other property

The Group holds more than 800 commercial leases for its stores located throughout France. In addition, the Group's assets include movable assets, computer equipment and servers, particularly set-top boxes and other digital terminals and equipment installed on the premises of the Group's subscribers, of which the Group retains ownership and which must be returned to the Group at the end of customers' subscriptions. The Group believes that the usage rate of its property, plant and equipment is consistent with its activity and projected growth, as well as with its current and planned investments.

Environment and Sustainable Development

Given the Group's activities and its current property, plant and equipment, it believes that there are no environmental factors likely to have a significant impact on the use of its current property, plant and equipment. Nevertheless, the Group pays particular attention to its environmental footprint and aims to implement a policy of profitable, sustainable and responsible development with respect to labor, the environment and society at large. The Group has implemented a number of environmental procedures with respect to its activity and its employees and wishes to expand these procedures in the future.

Beyond limiting its direct environmental impact, the Group is also careful to offer its subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, our La Box and our Zive box by SFR represent significant environmental advances in our products given that they combine several functions (TV-HD decoder, TV recording device and removable hard drive).

As of 2013 and for so long as the Issuer's shares are listed on Euronext Paris, the president of the Issuer's Board of Directors will be required to prepare detailed reports regarding its environmental footprint.

Legal Proceedings

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

A provision is recorded by the Group when (i) there is sufficient probability that such disputes will give rise to liabilities borne by the Group, and (ii) the amount of such liabilities can be reasonably estimated. Certain Group companies are involved in disputes related to the ordinary activities of the Group. Only the most significant litigation and proceedings in which the Group is involved are described below.

Other than those described below in this section, the Group is not aware of any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Group is aware) that may have or have had in the last twelve months significant effects on the financial position or profitability of the Group.

Tax audits

NC Numericable

Since 2005 the French tax authorities have conducted audits of various companies of the Group with respect to the VAT rates applicable to our multi-play offerings. Under the French General Tax Code, television services are subject to a reduced VAT rate of 5.5%, which was increased to 7% as of January 1, 2012 and to 10% as of January 1, 2014, while internet and telephony services are subject to the normal VAT rate of 19.6%, which was increased to 20% as of January 1, 2014. When marketing multi-play offerings, the Group applies a price reduction on the price the Group would otherwise charge for these services on a stand-alone basis. This discount applies primarily to the internet and telephony services portion of a multi-play offer, while the audited companies offered primarily television service. As a result, the VAT charged to the Group's multi-play subscribers is lower than the VAT that would be invoiced if the discount had to be charged to the portion of the price on its multi-play offers for the television services, or if the discount was prorated on all services.

The French tax authorities assert that these discounts should have been calculated and prorated on the stand-alone prices of each of the services (television, broadband internet, fixed-line and/or mobile telephony) included in the multi-play packages of the Group and have proposed adjustments for years 2006 to 2010.

The Group has also received proposed adjustments for years 2011 and 2012 for NC Numericable, the Issuer and Est Vidéocommunication, primarily affecting the application of the VAT on the multi-play offers, despite the change in rules on January 1, 2011 that supports the Group's practice in this area.

The Group is disputing all of the proposed reassessments and has initiated appeals and dispute proceedings, which are at different stages for each of the years subject to reassessments.

The proposed assessments have been provisioned in the financial statements as of December 31, 2015 in the amount of €40.5 million.

SFR

In a proposed adjustment received on December 23, 2014, the tax authorities have contested the merger of Vivendi Telecom International ("VTI") and SFR dated December 12, 2011 and therefore intend to challenge SFR's inclusion in the Vivendi tax consolidation group for year 2011. The tax authorities intend to tax SFR separately from the Vivendi tax consolidation group, leading to a corporate tax of €711 million (principal) plus accrued interest and surcharges amounting to €663 million, for a total adjustment of €1,374 million.

It should be noted that, under the agreement entered into on February 27, 2015 by Vivendi, Altice France and the Issuer, Vivendi agreed to repay to the Issuer, in case the 2011 merger of SFR and VTI is ruled invalid for tax purposes, any taxes and levies charged to SFR for year 2011, which SFR had already paid to Vivendi at the time, subject to a maximum €711 million.

SFR believes it has strong legal grounds to defend the merger.

At the same time, an accounting audit of 2012 and 2013 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The Issuer, which is disputing the assessments proposed, recognized a provision of €59.5 million on December 31, 2015.

Civil and commercial disputes

Wholesale disputes

Complaint by Bouygues Telecom against SFR and Orange regarding the wholesale market in mobile call termination and the retail market in mobile telephony

The French Competition Council received a complaint from Bouygues Telecom against SFR and Orange, claiming that SFR and Orange were engaged in anticompetitive practices in the mobile call termination and mobile telephony markets. On May 15, 2009, the French Competition Authority decided to postpone its decision and remanded the case for further investigation. On August 18, 2011, SFR received a complaint claiming unfair pricing. On December 13, 2012, the French Competition Authority fined SFR €66 million for abuse of dominant position, which SFR has paid.

SFR appealed the decision, and the case was argued in the Paris Court of Appeals on February 20, 2014.

The Paris Court of Appeals rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to the Court of Cassation by SFR on July 9, 2014 and on October 6, 2015, the Court of Cassation rejected SFR's appeal), and asked the European Commission to provide an Amicus Curiae brief to shed light on the economic and legal issues raised by this case. The Paris Court of Appeals postponed a ruling on the merits of the case pending the European Commission's opinion. The European Commission rendered its opinion on December 1, 2014, against SFR. The hearing on the merits of the case was held December 10, 2015. The decision of the Court of Appeals is expected on May 19, 2016.

As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, OMEA and EI Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. SFR and Bouygues Telecom entered into mediation in June 2014 and the hearing to close the mediation proceedings was held on December 5, 2014. The motion for discontinuance on September 11, 2014, ended the legal action between the two companies. With respect to the claim by OMEA (€67.9 million) and EI Telecom (€28.6 million), SFR applied for and obtained a stay on a ruling pending the decision of the Paris Court of Appeals.

Claim by Mundio Mobile against SFR

Mundio Mobile, an MVNO on the SFR network, brought a claim against SFR on November 5, 2014 in the Paris Commercial Court claiming €63.6 million in damages from SFR. Mundio Mobile accuses SFR of unfair practices under the MVNO contract, by launching the offer of its former subsidiary Buzz Mobile. Mundio is also challenging certain aspects of the contract including its pricing terms.

Complaint against Orange filed with the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités filed a complaint with the French Competition Authority against Orange for unfair practices. SFR withdrew its action on October 1, 2015.

As part of this complaint, on June 18, 2013, SFR sued Orange in the Paris Commercial Court for damages. SFR is seeking €50 million in interim damages from Orange.

SFR's lawsuit and complaint against Orange in the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR filed suit against Orange, seeking cancellation of the price for Orange call origination for the 2006 and 2007 periods and replacement with a lower rate of 2% for 2006 and 15% for 2007. On June 25, 2013, all of SFR's claims were dismissed. On July 25, 2013, SFR appealed the Commercial Court ruling, and on December 4, 2015, the Court of Appeals dismissed SFR's claim.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR and SFR

Differential on-net/off-net pricing in the mobile telephony market in Mayotte and Réunion

Orange Réunion, Orange Mayotte and Outremer Télécom filed a complaint with the French Competition Authority in June 2009 alleging unfair differential "on-net/off-net" pricing by SRR in the mobile telephony market in Mayotte and Réunion and seeking conservatory measures from the Competition Authority.

On September 15, 2009, the French Competition Authority announced conservatory measures against SRR, pending its decision on the merits. SRR had to discontinue any price spread exceeding its actual “off-net/on-net” costs in the network concerned.

As the French Competition Authority found that SRR had not fully complied with its injunction, it fined SRR €2 million on January 24, 2012.

In the proceedings on the merits, with regard to the “Consumers” component of the case, SRR requested and obtained a “no contest” plea on the complaints on July 31, 2013. On June 13, 2014, the Authority rendered its decision for the “Consumers” component of the case, fining SFR and its subsidiary SRR €45.9 million.

Non-residential mobile telephony market in Mayotte and Réunion

On September 12, 2013, SRR’s premises were raided and its records seized by the authorities. The operation focused on the non-residential mobile telephony market in Réunion and Mayotte and was also in response to the complaint filed by Outremer Télécom.

SRR appealed to the Chief Justice of the Saint-Denis Court of Appeals of Réunion against the decision authorizing the operation and filed a second appeal against the operation’s procedure. On June 13, 2014, the Chief Justice of the Saint-Denis Court of Appeals of Réunion handed down an order rescinding all the seizures at SRR in September 2013. The French Competition Authority appealed this order.

With respect to the proceedings on the merits, the French Competition Authority on February 12, 2015 sent a notice of complaints to SFR and SRR. SFR and SRR decided not to dispute the complaints. A report of no-contest was signed on April 1, 2015. A session in front of the French Comeptiton Authority board was held on September 15, 2015. On November 30, 2015, the French Competition Authority fined SRR (and SFR as the parent company of SRR) €10.8 million.

Compensation disputes

Following the French Competition Authority’s decision of September 15, 2009 (conservatory measures) and pending the French Comeptition Authority’s decision on the merits, on June 17, 2013, Outremer Telecom filed suit against SRR and SFR in the Commercial Court seeking reparation for the loss it believes it suffered as a result of SRR’s practices.

Outremer Telecom is claiming €23.5 million in damages for unfair practices by SRR in the consumer market in mobile telephony in Réunion and Mayotte, and €1 million in damages for unfair practices by SRR in the business market in mobile telephony in Réunion and Mayotte.

In a ruling on November 13, 2013, the Court awarded SRR and SFR a stay until the Competition Authority renders a decision, or until the Chief Justice of the Court of Appeals orders the stay of the enforcement of the Competition Authority’s decision. To date, the proceeding has not resumed despite the fact that the ruling of the Chief Justice of the Court of Appeals was handed down on June 13, 2014.

On October 8, 2014, Orange Reunion sued SRR and SFR jointly and severally for €135.3 million in damages for the loss suffered as a result of the unfair competition practices alleged by the French Competition Authority. To date, proceedings on the merits of the case have not yet begun, and various procedural motions have been filed, on which judgments are pending.

Complaint against Orange to the French Competition Authority regarding the market in mobile telephony services for businesses

On August 9, 2010, SFR filed a complaint against Orange with the French Competition Authority for anticompetitive practices in the business mobile telephony services market.

On March 5, 2015, the French Competition Authority sent a notice of complaints to Orange. Four complaints were filed against Orange. On December 17, 2015, the French Competiion Authority ordered Orange to pay a fine of €350 million.

At the same time, SFR filed suit against Orange in the Commercial Court and is seeking €512 million (subject to adjustment) in damages for the loss suffered as a result of the practices in question in the proceeding with the French Competition Authority.

Orange suit against SFR in the Paris Commercial Court (overflows case)

Orange filed a claim on August 10, 2011 with the Paris Commercial Court asking the Court to order SFR to immediately cease its unfair "overflow" practices and to order SFR to pay €309.5 million in contractual damages. It accused SFR of deliberately organizing overflows onto the Orange network for the purpose of economically optimizing its own network (underdesigning the Primary Digital Block (PBN)). In a ruling on December 10, 2013, the Court ordered SFR to pay Orange €22.1 million. SFR and Orange both appealed the ruling. On January 16, 2015, the Paris Court of Appeals upheld the Commercial Court's ruling, and SFR paid the €22.1 million. On August 11, 2014, SFR also petitioned the District Court, which rendered its decision on May 18, 2015 by ordering SFR to pay €600,000 as a penalty for 118 instances of unfair "overflow" practices.

SFR v. Orange: abuse of dominant position in the second homes market

On April 24, 2012, SFR filed a complaint against Orange with the Paris Commercial Court for abuse of dominant position in the retail market for mobile telephony services for non-residential customers.

On February 12, 2014, the Paris Commercial Court ordered Orange to pay to SFR €51 million for abuse of dominant position in the second homes market.

On April 2, 2014, Orange filed an emergency motion against SFR with the Chief Justice of the Paris Court of Appeals, seeking the suspension of provisional enforcement. This motion was denied by the Chief Justice on July 4, 2014.

On April 2, 2014, Orange appealed the decision of the Commercial Court on the merits. On October 8, 2014, the Paris Court of Appeals overturned the Paris Commercial Court's ruling of February 12, 2014 and dismissed SFR's requests. The Court of Appeals ruled that it had not been proven that a pertinent market limited to second homes actually existed. In the absence of such a market, there was no exclusion claim to answer, due to the small number of homes concerned. On October 13, 2014, SFR received notification of the judgment of the Paris Court of Appeal of October 8, 2014 and repaid the €51 million to Orange in November 2014. On November 19, 2014, SFR appealed the ruling.

SFR v. Orange (non unbundled areas)

On November 26, 2012, SFR filed a complaint against Orange with the French Competition Authority for abuse of dominant position in the retail market for high-speed internet access in non-unbundled areas.

On October 1, 2015 SFR withdrew its petition.

Orange v. SFR and Bouygues Telecom (Network Sharing Agreement)

On April 29, 2014, Orange applied to the French Competition Authority to disallow the agreement signed on January 31, 2014 by SFR and Bouyges Telecom to share their mobile access networks, based on Article L. 420-1 of the French Commercial Code and Article 101 of the Treaty on the Functioning of the European Union. In addition to this application, Orange asked the French Competition Authority for a certain number of injunctions against the companies involved.

In a decision dated September 25, 2014 the Competition Authority dismissed all of Orange's requested injunctions to stop SFR and Bouygues Telecom from implementing the agreement they had signed to share part of their mobile networks.

The Competition Authority ruled that no serious and immediate harm was posed to the general economy, the sector, consumers or Orange as a result of the proposed network sharing agreement.

Orange appealed the Competition Authority's decision to dismiss its injunction requests.

The Court of Appeals upheld this decision on January 29, 2015. Orange is now appealing the matter to the Court of Cassation.

Claim by Bouygues Télecom against the Issuer, Completel, and NC Numericable

In late October 2013, the Issuer, Completel and NC Numericable received a claim from Bouygues Telecom regarding the "white label" contract signed on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play very-high-speed offers. Bouygues Telecom claimed damages totaling €53 million, based on the following alleged losses: (i) €17.3 million for alleged pre-contractual fraud (providing erroneous information prior to signing the contract), (ii) €33.3 million for alleged non-performance by the Group companies of their contractual obligations, and (iii) €2.4 million for alleged damage to Bouygues Telecom's image. The Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed.

On July 24, 2015, Bouygues Telecom filed suit against NC Numericable and Completel concerning the performance of the contract to supply very high-speed links. Bouygues Telecom is accusing NC Numericable and Completel of abusive practices and contractual faults, and is seeking nullification of certain provisions of the contract and indemnification of €79 million. The case was stayed until April 12, 2016 pending designation of the reporting judge.

Consumer Disputes

CLCV complaint against SFR

On January 7, 2013, the consumer association CLCV filed a complaint against SFR in the Paris Commercial Court. CLCV claimed that some of the clauses in SFR's general terms of subscription, and those of some other telephone operators, were unfair. It also sought compensation for the collective harm inflicted.

The Paris District Court ruled that the clauses were unfair.

Free v. SFR: unfair practices for non-compliance with consumer credit provisions in a subsidized offer

On May 21, 2012, Free filed a complaint against SFR in the Paris Commercial Court.

Free challenged the subsidy used in SFR's "Cross" offers sold over the internet between June 2011 and December 2012, claiming that the subsidy constituted a form of consumer credit and that SFR was therefore liable for unfair practices by not complying with the consumer credit provisions, in particular in terms of providing relevant information to customers.

Free asked the Paris Commercial Court to order SFR to provide customers with the relevant information and pay €29 million in damages. On January 15, 2013, the Commercial Court dismissed all of Free's requests and granted SFR €0.3 million in damages. On January 31, 2013, Free appealed the decision. In March 2016, the Court of Appeals upheld the decision of the Paris Commercial Court and ordered Free to pay €0.5 million in damages.

SFR v. Iliad, Free and Free mobile: unfair practices by disparagement

In June 2014, SFR filed a complaint against Iliad, Free and Free Mobile in the Paris Commercial Court for unfair competition, claiming that since Free Mobile was launched, Iliad, Free and Free Mobile were liable for unfair practices by disparaging SFR services.

SFR has requested that the defendants be ordered to pay €493.2 million in damages as compensation for the detriment suffered (loss of subscribers, forced migration to the "low cost" mobile plans SFR, cost of advertising aiming at restoring SFR's image, etc.). Alternatively, in case the Court chose to only take into account the detriment suffered as a result of the loss of mobile telephony subscribers, SFR requested that the defendant be ordered to pay €362.7 million in damages.

In their submissions filed on September 11, 2015, the Iliad group alleged that some advertising messages broadcast by SFR, in response to the denigrating statements of Free, were themselves denigrating. Therefore, it filed a counterclaim and requested that SFR be ordered to pay €563 million in damages.

The next procedural hearing is scheduled for April 8, 2016 for the filing of the defendants' submissions.

Disputes regarding the transfer of customer call centers from Toulouse, Lyon and Poitiers

Following the transfer of customer call centers in Toulouse and Lyon to Infomobile, and the transfer of the Poitiers call centers to a subsidiary of the Bertelsmann Group, the former employees at those sites filed legal actions at Human Rights Tribunals in each respective city, claiming that their employment contracts were unfair and constituted fraud under Article L. 1224-1 of the French Labor Code and that their dismissals were in breach of the legal provisions regarding dismissal for economic reasons.

The rulings in 2013 were mixed. The Toulouse Court of Appeals penalized SFR and Téléperformance in half of the cases, while the Lyon and Poitiers courts ruled in favor of SFR. The cases are now at various stages of proceedings in the Labor Tribunal, Court of Appeals and Court of Cassation. On June 18, 2014, the Court of Cassation upheld the decision of the Toulouse Court of Appeals (against SFR) and dismissed the appeal against the decision of the Poitiers Court of Appeals.

Litigation over distribution in the independent network (consumer market and SFR Business Team)

Like many other companies operating an indirect distribution model, SFR faces complaints from a number of its current and former distributors. These complaints revolve around claims of sudden breach of contract, unfair economic dependency, demands for reclassification as a sales agent, and more recently, demands for reclassification as a contractual branch manager or as SFR-contracted point-of-sale staff. SFR recently prevailed in various Courts of Appeals, after having previously received four adverse judgments by the Court of Cassation regarding the status of branch manager. With rare exceptions, SFR received favorable judgments regarding the reclassification of employment contracts and sales contracts in these disputes.

Free v. SFR

In July 2015, Free filed suit against SFR seeking to prevent SFR from using the word “Fiber”, claiming that the solution marketed by SFR is not an FTTH solution. Free considers SFR’s communication to be materially deceptive and, on that basis, is asking the court to find that SFR is engaging in free-riding and unfair competition.

Familles Rurales v. SFR

In May 2015, Familles Rurales filed a class action suit against SFR in the Paris District Court, claiming that SFR used deceptive sales practices in its communications about 4G, and seeking remedy for the loss allegedly suffered by consumers.

Other disputes

In-depth inquiry of the European Commission into the assignment of cable infrastructures by certain local authorities

On July 17, 2013, the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to the Group was consistent with European Union government aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives the latter an economic advantage not enjoyed by its competitors, and that it therefore constitutes government aid within the meaning of the rules of the European Union. The free-of-charge transfer of the cable networks and ducts by 33 French municipalities to the Group, therefore, it was argued, confers a benefit of this type and constitutes government aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union. The Group firmly denies the existence of any government aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (approximately 200,000), the majority of which have not been migrated to EuroDocsis 3.0 and only allow access to a limited number of the Group’s television services.

The European Commission’s decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of this process both in terms of comments from third parties as well as those from the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any government aid.

Dispute with Orange concerning certain IRUs

The Group entered into four non-exclusive IRUs with Orange dated May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the Group’s acquisition of certain companies operating on cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly ducts), are made available to the Group by Orange through these non-exclusive IRUs.

Each of these IRUs covers a different geographic area, and each was signed for a term of 20 years.

Following ARCEP’s decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators allowing them access to the civil engineering infrastructure of the local wire-based network, pursuant to which the operators can roll out their own fiber networks in Orange’s ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Group enjoys under the Orange IRUs.

In December 2011, the Group and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange general technical and commercial offer.

On October 7, 2010, the Group initiated parallel proceedings against Orange in the Commercial Court of Paris, claiming damages of €2.7 billion for breach and modification of the IRUs by Orange.

On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on the Group by Orange, under the terms of its general technical and commercial offer published on September 15, 2008. Numericable appealed this decision to the Paris Court of Appeals. The Group claimed the same amount of damages in the Paris Court of Appeals as it had in the Paris Commercial Court. Orange counterclaims that these proceedings materially impaired its brand and image, and is seeking €50 million in damages.

In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed the Group's appeal, which was then referred to the Court of Cassation on August 14, 2014. On February 2, 2015, the Court of Cassation overturned the ruling of the Paris Court of Appeals and referred the case back to the Paris Court of Appeals. The decision is still pending.

Action by Colt, Free and Orange in the General Court of the European Union concerning the DSP 92 project

Colt, Free and Orange, filed three separate motions against the European Commission in the General Court of the European Union seeking to annul its final decision of September 30, 2009 (Decision No. C (2009) 7426), which held that the compensation of €59 million granted for the establishment and operation of a high-speed electronic communications network in the Department of Hauts de Seine does not constitute government aid within the meaning of the rules of the European Union. The Group is not party to these proceedings. Its subsidiary Sequalum is acting as the civil party, as well as the French government and the Department of Hauts de Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and affirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

Litigation between Sequalum and Hauts-de-Seine General Council regarding DSP 92

A disagreement arose between the Hauts-de-Seine General Council ("CG92") and Sequalum regarding the terms of performance of a utilities concession contract signed on March 13, 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council, to create a very-high-speed fiber optic network in the Hauts-de-Seine region.

The Hauts-de-Seine General Council decided in its on October 17, 2014 meeting to terminate the public service delegation agreement signed with Sequalum "for gross misconduct by the delegatee for which it is solely responsible." The Hauts-de-Seine General Council demanded €45 million in damages for delays, advanced by the delegator and disputed by Sequalum, in the deployment of fiber optics and connections to buildings.

The order for payment was contested in a motion in the Administrative Court of Cergy Pontoise on September 3, 2014. Its enforcement and the payment of the sums requested have been stayed pending a ruling on the merits.

On May 7, 2015, the Hauts-de-Seine General Council sent a second demand for an order for payment in the amount of €51.6 million, which was disputed by Sequalum on July 11, 2015.

Sequalum claims that the termination was unlawful, and it is continuing to perform the contract, subject to any demands that the delegator may impose. If the courts confirm this interpretation decided against Sequalum, Sequalum may have to repay the public subsidies received for the DSP 92 project, normally the outstanding component of the subsidies (the company received €25 million). In turn, the Hauts-de-Seine General Council received the returnable assets of the DSP on July 1, 2015. Furthermore, the General Council will also have to pay compensation to Sequalum in an amount essentially equal to the net value of the assets.

On October 16, 2014, Sequalum filed a motion in the Administrative Court of Cergy Pontoise to have the public service delegation rescinded on the grounds of force majeure due to irreversible disruption of the contract economics.

On December 31, 2015, the assets were removed from the Issuer's accounts in the amount of €116 million.

Income receivable in the amount of €139 million related to the expected indemnification was also recognized, an amount fully provisioned given the situation.

The Group has its own fiber optics in the Department of Hauts-de-Seine to service its customers. Furthermore, the revenue generated by DSP 92 accounts for a relatively insignificant percentage of Group revenue.

Operations, inspections and seizures

By Order of March 25, 2015, the Nanterre District Court authorized the rapporteur-general of the French Competition Authority to conduct inspections and seizures in order to discover proof of actions prohibited by Article L 430-8-II of the French Commercial Code and any evidence of such actions before the authorization of the merger of the Issuer, Omea Telecom and SFR. On April 9, 2015, the Group filed an appeal against the authorization and against the inspection and seizure operations with the Chief Justice of the Court of Appeals of Versailles. The hearing is scheduled for May 26, 2016. It is understood that the opening of such an inquiry by the French Competition Authority is not in itself a finding of any wrongdoing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GROUP

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of the Group's financial condition and results of operations should be read together with the English language translation of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 (which include restated comparative figures as of and for the year ended December 31, 2014, as described in Note 38 thereto), the English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2014 (which include comparative figures as of and for the year ended December 31, 2013), and the English language translations of the pre-acquisition audited combined financial statements of SFR as of and for the years ended December 31, 2013, 2012 and 2011 included elsewhere in this Offering Memorandum. The financial information as of and the year ended December 31, 2014, presented herein is derived from the comparative figures of the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 as restated as described in Note 38 thereto. This discussion contains forward looking statements that are subject to numerous risks and uncertainties. See "Forward Looking Statements."

In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries, which from November 27, 2014, includes SFR and its subsidiaries and from December 5, 2014, includes Virgin Mobile.

Overview

General presentation

As a result of the SFR Acquisition, the Group aims to become the national leader in the convergence of very-high-speed fixed-line and mobile services on the back of the largest fiber-optic network in France and a leading mobile network. As a global player and France's largest alternative operator, the Group is active in three segments of the French telecommunications market:

- the B2C segment, which includes fixed and mobile products and services for residential subscribers under the Group's brands. The B2C segment accounts for the largest share of Group revenues, contributing €7,595 million in the year ended December 31, 2015, which represented 69% of Group revenues.
- the B2B segment, which includes service offerings for SMEs, large companies and public entities. The B2B segment is the second-largest source of the Group's revenues, contributing €2,116 million in the year ended December 31, 2015, which represented 19% of Group revenues.
- the Wholesale segment, which includes wholesale fixed and mobile voice call connectivity services, wholesale data connectivity services, wholesale fiber infrastructure services and white-label triple-play DSL and very-high-speed offerings for telecommunications operators and internet service providers. The Wholesale segment is the third-largest source of Group revenues, contributing €1,328 million in the year ended December 31, 2015, which represented 12% of Group revenues.

The Group's service and product offerings are tailored to each market segment's characteristics and requirements:

- In the B2C segment, the Group offers television services, very-high-speed internet access, and fixed and mobile telephony, both in the form of bundled offerings and on a standalone basis. The Group also offers analog television services to individual subscribers and bulk digital services to residential building managers.
- In the B2B segment, the group offers data services, including IP VPN, LAN-to-LAN, internet and security, hosting and cloud computing services, as well as fixed voice and mobile telephony, including voice calls, VoIP and Centrex.
- In the Wholesale segment, the Group offers wholesale fixed and mobile voice call connectivity services, wholesale data connectivity services, wholesale fiber infrastructure services and white-label triple-play DSL and very-high-speed offerings for telecommunications operators and internet service providers. It also offers wholesale services based on fiber-optic network infrastructure to telecommunications operators and the B2B segment. This segment also includes services sold to virtual mobile operators and roaming-in services on the SFR mobile network.

As of December 31, 2015, the Group's fixed subscribers was 6.4 million, including 1.8 million very-high-speed subscribers (30Mbit/s and over) and 4.5 million ADSL subscribers. As of December 31, 2015, the Group's mobile subscribers totaled 21.9 million, including 15.1 million residential mobile subscribers.

The Group recorded consolidated revenues of €11,039 million and Adjusted EBITDA of €3,860 million in the year ended December 31, 2015 (see Note 7 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum for a reconciliation of operating income to Adjusted EBITDA).

Presentation of the consolidated financial statements and pro forma financial information included in this Offering Memorandum

The Group was created on August 2, 2013. In connection with the Issuer's initial public offering, on November 7, 2013 two holding companies incorporated in Luxembourg, Ypso Holding and Altice Lux Holding, the parent companies of Ypso France and Altice B2B France, respectively, were contributed to the Issuer.

Ypso France, which operates the Group's commercial activities, is a French provider of cable television services through high-end digital television channel packages that are accessible to homes with triple-play cable network connections, broadband internet services and fixed and mobile telephony services.

Altice B2B France, through its main operating entity Completel, manages the largest alternative fiber-to-the-office ("FTTO") network, and is the third-largest alternative DSL network in France. By directly linking the sites of B2B subscribers to fiber and DSL networks, Completel provides B2B subscribers a full suite of services, including very-high-speed data transfer and internet, telecommunications services and convergence and mobility solutions.

In 2014, the Issuer acquired SFR (which itself acquired Telindus on April 30, 2014) and its subsidiaries and Virgin Mobile.

This Offering Memorandum includes an English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2015 (which include restated comparative figures as of and for the year ended December 31, 2014, as described below) and an English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2014 (which include comparative figures as of and for the year ended December 31, 2013). These consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. This Offering Memorandum also includes English language translations of the pre-acquisition audited combined financial statements of SFR as of and for the years ended December 31, 2013, 2012 and 2011. These financial statements have been prepared in accordance with IFRS as adopted by the European Union. The combined financial statements of SFR include SFR, SIG 50 and their subsidiaries which were transferred from Vivendi to the Group on November 27, 2014.

Note 39 to the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 includes a condensed *pro forma* statement of income for the year ended December 31, 2014, which aims to present the impact of the SFR Acquisition (namely the consolidation of SFR, SIG 50 and their subsidiaries, including Telindus, acquired by SFR on April 30, 2014) and the Virgin Mobile Acquisition (namely the consolidation of Omer Telecom Limited and its subsidiaries) and the corresponding financing and refinancings related to such acquisitions, as if such had occurred on January 1, 2014.

To improve its financial reporting and ensure consistency of presentation of financial statements with certain of its affiliate companies, the Issuer has changed the presentation of its financial statements and made a number of other changes in its accounting methods and management rules, as well as to give effect to the finalization of the purchase prices relating to the SFR Acquisition and Virgin Mobile Acquisition, with effect from the year ended December 31, 2015. See Note 1 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015. Comparative figures as of and for the year ended December 31, 2014 included in the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 were restated from figures presented in the previously published Issuer's audited consolidated financial statements as of and for the year ended December 31, 2014 to reflect the abovementioned changes. Note 38 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 includes a reconciliation between the previously published figures and the restated figures, and a description of the changes made with respect, to the financial information as of and for the year ended December 31, 2014. In addition, in order to aid comparability of financial information with previous periods, the Issuer has presented financial information as of and for the year ended December 31, 2013 taking into account the abovementioned presentational changes but excluding changes to accounting methods and management rules. The financial information as of and for the years ended December 31, 2013 and 2014 restated as described above is herein referred to as the "Restated Information".

Significant factors with an impact on results

Certain key factors, as well as certain past events and transactions, have had and could continue to have an impact on the Group's activities and operating income as explained below. In addition to the regulatory and macroeconomic environment, the main factors that had an impact on the normal course of the Group's activities and its results include (i) changes in the scope of consolidation as a result of the acquisitions described above, (ii) financial expenses, (iii) costs of integrating and realizing synergies relating to acquisitions, (iv) competition and the attractiveness of the Group's products and services compared to those of its competitors, (v) pricing of services, (vi) churn rates, (vii) the Group's cost structure and its programs to optimize these costs, and (viii) network improvement and maintenance, and the corresponding costs. See "*Risk Factors*" for additional information.

Financial expenses and income

Net interest and other income represented an expense of €46 million in 2015, compared to an expense of €600 million in 2014.

Financial income was specifically affected in 2015 by the recognition of financial income of €644 million (excluding tax effect) corresponding to the discounted value of the €750 million earnout owed to Vivendi in connection with the SFR Acquisition recognized in the Group's non-current financial liabilities at December 31, 2014. In connection with the purchase of the Issuer's shares held by Vivendi on May 6, 2015, Vivendi waived its rights to receive the €750 million earnout relating to the SFR Acquisition that the Issuer would have owed Vivendi had the Group generated free cash flow equal to at least €2,000 million in any year before December 31, 2024. Finance expenses were also affected in 2015 as a result of the July 2015 Incremental Term Loans and the October 2015 Incremental Term Loans.

Financial expenses were affected in 2014 by successive financings and refinancings, specifically in connection with the SFR Acquisition, for which sums raised in April 2014 were placed into escrow until completion of the SFR Acquisition on November 27, 2014. See Notes 12 and 24 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2014.

Cost structure and cost optimization

The Group's most significant costs include content costs (which include author rights, signal costs and royalties), staff costs, advertising fees, fees for rights of way, rental and leasehold charges and energy costs.

Certain of the Group's costs, such as a portion of its network operations, customer care, billing and administration costs, are fixed, while a portion of its marketing and content costs are variable.

Since the SFR Acquisition, the Group has initiated several cost-saving initiatives that have resulted in an improvement of its cost base including: (i) the restructuring of the Group's sales and marketing operations; (ii) customer service streamlining; (iii) network operations and maintenance savings; (iv) personnel rationalization measures; and (v) general and administrative efficiencies.

This cost savings strategy that has been developed has allowed the Group to reposition and restructure itself and realize anticipated synergies. For example, the synergies plan announced after the SFR Acquisition is ahead of schedule. The Group expects to realize certain additional synergies by (i) investing in the Group's own fiber network, migrating DSL subscribers to the Group's own network and reducing the need for third party network services, (ii) continuing to improve and simplify operational processes and reduce IT costs by investing into new platforms, (iii) integrating the Group's sales organizations, optimizing its sales channels and simplifying the brand portfolio, (iv) implementing further procurement efficiencies by leveraging the Group's bargaining power and (v) further reducing overhead costs.

Changes in the scope of consolidation

The Group's results have been affected by certain acquisitions and disposals.

On November 27, 2014, the Group acquired SFR and its subsidiaries and Virgin Mobile. These acquisitions had a very significant impact on the Group's income, even though the acquired companies were only consolidated for one month in 2014 (as of November 27, 2014 for SFR and December 5, 2014 for Virgin Mobile). SFR also acquired Telindus on April 30, 2014. SFR and Virgin Mobile contributed €835 million and €28 million, respectively, to Group revenues in 2014. SFR and Virgin Mobile contributed losses of €34 million and €8 million, respectively, to the Group's net income in 2014. In the 2014 *pro forma* statement of income, SFR contributed €9,788 million to revenues, 86% of total *pro forma* revenues, and €6 million to net income in 2014.

The Group had no significant acquisitions or disposals in 2015.

Main performance indicators

Connected sites and number of individual subscribers

The Group uses the number of subscribers it can serve by its fixed-line/fiber network, the number of fixed subscribers, including very-high-speed subscribers (FTTH and FTTB) and mobile subscribers, including flat-rate subscribers, the number of B2B subscribers and the number of white-label end users (fiber and DSL), as performance indicators. These indicators allow the Group to analyze the success of its various offerings and tailor them to the results of these studies.

The Group, as France's fiber leader, provides fiber access to 7.7 million homes and commercial sites as of December 31, 2015, which is another performance indicator the Group uses to analyze the success of its various offerings and tailor them to the results of these studies.

The following table presents the Group's operating data: (i) aggregated for and aggregated as of the year ended December 31, 2013, (ii) *pro forma* for and historical as of the year ended December 31, 2014 (with respect to ARPU figures); and (iii) historical as of and historical for the year ended December 31, 2015. Aggregated operating data as of and for the year ended December 31, 2013 and *pro forma* operating data for the year ended December 31, 2014 (with respect to ARPU figures) is presented as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2013, and January 1, 2014, respectively.

	As of and for the year ended		
	2013 (Aggregated)(6)	2014(7)	2015
	(in thousands unless otherwise indicated)		
B2C operating data			
Footprint(1)			
Homes passed(2)	8,582	9,036	9,323
Of which fiber connections	5,196	6,451	7,711
Mobile subscribers	17,036	16,238	15,137
Of which post-paid	13,257	13,004	12,604
Of which pre-paid	3,780	3,234	2,533
Fixed-line subscribers(3)	6,582	6,577	6,353
Of which ADSL	5,102	5,030	4,538
Of which FTTB and FTTH	1,480	1,547	1,814
Monthly ARPU(4) (*in euros*)			
Mobile subscribers	23.9	22.5	22.5
Of which post-paid	29.0	26.6	25.9
Of which pre-paid	8.0	7.4	7.4
Fixed-line subscribers	34.3	34.1	35.1
Of which ADSL	32.6	32.6	33.4
Of which FTTH	34.7	28.5	34.9
Of which FTTB	41.3	41.0	40.8
B2B operating data			
Post-paid fixed-line subscribers	6,190	6,701	6,811
Of which M2M	3,615	4,225	4,649
Operating data for the fixed-line Wholesale segment			
White label end users	974	1,001	692
Of which Fiber(5)	363	364	327

(1) The operating data pertaining to the Group's footprint and penetration are presented as of the relevant reporting date.

(2) A home is considered "passed" if it can be connected to the transmission system with no additional extension to the network.

(3) Excludes stand-alone telephony subscribers.

(4) The operating data pertaining to the ARPU are presented in euros per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

(5) Fiber white label end users (i.e., not including DSL white label end users), in accordance with the financial communication policy of the Group, as well as the accounting segments of the Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the Wholesale segment).

(6) The aggregated operating data as of and for the year ended December 31, 2013 presents operating data as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2013.

(7) Operating data for the year ended December 31, 2014 (i.e., "Monthly ARPU") presents *pro forma* operating data as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2014.

ARPU (Average Revenue Per User)

The Group uses ARPU as an indicator to track its B2C performance. ARPU does not measure financial performance according to IFRS standards and it is not reviewed by auditors, a consultant or an outside expert. ARPU derives from internal calculations and calculation assumptions applied by management. The definition used by Group management might not be comparable to other similar terms used by other companies.

The following table presents the Group's *pro forma* ARPU for the years ended December 31, 2013 and 2014, and actual for the year ended December 31, 2015. *Pro forma* ARPU for the years ended December 31, 2013 and December 31, 2014 shows Group ARPU as if the SFR Acquisition and the Virgin Mobile Acquisition had occurred on January 1, 2013 and January 1, 2014, respectively.

	As of and for the year ended December 31,		
	2013 (Aggregated)	2014 (*Pro Forma*)	2015
	(in euros)		
Monthly ARPU(1)			
Mobile subscribers	23.9	22.5	22.5
Of which, post-paid	29.0	26.6	25.9
Of which, pre-paid	8.0	7.4	7.4
Fixed subscribers	34.3	34.1	35.1
Of which, ADSL	32.6	32.6	33.4
Of which, FTTH	34.7	28.5	34.9
Of which, FTTB	41.3	41.0	40.8

(1) ARPU operating data is presented in euros by month (excluding VAT) for the periods in question and does not reflect ARPU from white-label end users or group subscribers.

Mobile ARPU remained stable at €22.5 in 2015 compared to 2014 (*pro forma*). Post-paid ARPU decreased from €26.6 to €25.9 between 2014 and 2015 (reflecting an increase in price competition for post-paid subscribers) while pre-paid ARPU remained stable at €7.4. The stability in mobile ARPU reflects the above trends offset by the change in mix between post-paid and pre-paid subscribers, with pre-paid subscribers decreasing at a higher rate than post-paid subscribers.

Fixed ARPU rose from €34.1 to €35.1 between 2014 and 2015, an increase of 2.9%. This was due to the increase in very-high-speed subscribers, for which customer growth and higher average revenue per customer offset the decline in DSL subscribers. In 2015 the Group increased the pricing of its FTTH services, which resulted in an increase in ARPU from FTTH subscribers from €28.5 in 2014 to €34.9 in 2015, and also effected a slight increase in prices for its DSL services, which resulted in an increase in ARPU from its DSL subscribers from €32.6 to €33.4.

Subscriber net additions

The Group measures subscriber net additions to its fixed and mobile services as a measure of its performance. In 2015, in the B2C fixed segment, the Group focused on subscriber churn reduction and fixed offer upselling as well as migrating our DSL subscriber base to its very-high-speed offers. In the year ended December 31, 2015, the Group's B2C fixed service subscriber net additions totaled a net loss of 224,000. This decrease was due to the net decrease of the Group's DSL service subscribers of 491,000 subscribers, partially offset by net additions to our very-high-speed service subscribers of 268,000 subscribers.

In 2015, in the B2C mobile segment, we focused on growing our high-value offer subscriber base as well as growing our lower-end subscribers by relaunching certain of our no-frills post-paid offers. In the year ended December 31, 2015, our B2C mobile service subscriber net additions totaled a net loss of 534,000 subscribers. This decrease was due to decreases in subscribers across our mobile offers throughout the first three quarters of 2015, partially offset by net additions of 140,000 subscribers in the fourth quarter. In the B2B mobile segment, net additions for 2015 totaled net losses of 313,000 subscribers. Though churn is decreasing in both the B2C and B2B mobile segments, and net additions in our B2C mobile subscriber base in fourth quarter of 2015 demonstrate the early benefits of our mobile network investment, the Group's churn remains significantly higher than market averages.

Main components of the statement of income

A summary description of certain items on the Group statement of income and certain other measurements used by the Group is presented below.

Revenues

Revenues are calculated as a function of (i) volume, which depends on the number of subscribers, connected sites or lines provided for subscription offers and the level of use, and (ii) prices, subscription payments, minutes, leasing of lines and other services, which depend on the selected offer chosen by subscribers.

The principles for recognizing revenues are described in Note 2.3 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.

Purchasing and subcontracting

Purchasing and subcontracting primarily include interconnection and termination costs for fixed telephony (the levels of which are regulated), interconnection costs for high-speed data and internet, mobile handset costs, and costs of content such as television and music. They also include subcontracting costs, which are primarily related to the outsourcing of installation work.

Other operating expenses

Other operating expenses include costs related to customer services, advertising and marketing expenses, network maintenance and information system costs as well as general overheads. They also include certain taxes, mainly consisting of direct and indirect general taxes such as the flat-rate tax on network companies, the contribution of value added businesses and land, and applicable taxes on operators of telecommunications and television providers, such as taxes on television providers, support contributions to the audiovisual program industry and taxes on VOD. Other operating expenses do not include income tax, which is recognized separately.

Personnel expenses

Personnel expenses primarily include (i) salaries and bonuses, legal and contractual profit sharing, expenses related to social security and the corresponding taxes, (ii) retirement plan expenses for salaried personnel and other post-employment benefits, (iii) costs associated with the use of temporary, external and non-salaried personnel and (iv) the IFRS 2 expense associated with the stock options plan. Personnel expenses are presented net of capitalized payroll.

The Group's personnel expenses are related to the number of employees, the level of compensation of its full time personnel and its external staff. The Group believes that its current payroll is appropriate and it does not anticipate any significant increases in the near future. Salaries are normally negotiated each year.

Other non-recurring revenue and expenses

"Other non-recurring revenue" consists primarily of proceeds from its disposals of property, plant and equipment and other sundry non-recurring revenue.

"Other non-recurring expenses" consist primarily of the net book value of fixed assets sold, consulting expenses for refinancings or acquisitions, restructuring costs and other sundry non-recurring expenses.

Adjusted EBITDA

This indicator is monitored by the Group in order to manage and assess its operating income, make investment decisions and distribute resources, and assess its management performance.

Adjusted EBITDA is equal to operating income, adjusted for amortization and depreciation of certain elements the Group considers as outside recurring operations or having no impact on its cash. Over the periods in question, these elements consist specifically of the following: fees paid as part of refinancing and acquisition transactions, restructuring costs, the impact over the period of costs related to contract renegotiations, provisions and costs related to tax and social security audits, the contribution to CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) and the expense of stock option plans. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*".

The process used by the Group to calculate Adjusted EBITDA may not be comparable to those of other measurements with a similar name used by other entities. Further, this measurement must not be considered as an alternative to operating income, since the effects of depreciation, amortization and impairment excluded from this unit of measurement ultimately affect the statement of operating income. Consequently, the Group also presents the "Operating income" line item, which includes all amounts that affect its operating income.

The Group believes Adjusted EBITDA is useful to readers of its financial statements, as it provides them with a measurement of other operating income that excludes items not affecting cash, such as depreciation and amortization, eliminating certain non-recurring income and expenses and providing information on income from the Group's current commercial activities and the generation of cash flow to allow investors to better identify trends in its financial performance.

Amortization and depreciation

Amortization and depreciation consist primarily of regular depreciation and amortization of non-current assets such as network assets.

Operating income

The Group also presents the "Operating income" line item, which includes all amounts affecting its operating income.

Net interest and other income

Net interest and other income consists of interest income, gross cost of debt and other financial expenses. Interest income primarily consists of income associated with investments of cash and cash equivalents as well as other interest revenue. Gross cost of debt consists largely of interest expenses from credit lines associated with the Group's debt (calculated after accounting for the effect of interest rate derivatives), using the effective interest rate method. It also includes the change in fair market value of derivative instruments, which are not eligible for hedge accounting and consequently are recognized at market value. Other financial expenses consist primarily of interest expenses on other financial debts as well as any commissions (other than consulting expenses, which are recognised as other operating expenses) paid in connection with amendments to, and the refinancing of, the Group's debt and provisions for financial risks.

Income tax

Corporate income tax consists of the income tax and the share of corporate tax for provisions for tax audits as well as CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*, namely taxes charged on the added value of business). It does not include other taxes owed by the Group, which are recognized in operating income as part of the "Other operating expenses" line item.

The Group has significant tax losses which can be used to reduce the amount of corporate income tax payable.

However, the ability to effectively use these losses (and effectively realize all or part of the theoretical tax savings they represent) depends on a number of factors, including the following:

- the ability of the Group or certain entities within the Group to generate taxable profits and the extent of these profits compared to losses;
- the overall limit under French tax law pursuant to which the percentage of tax-deferrable losses that can be used to offset the taxable portion of earnings exceeding €1 million is limited to 50% for years ending on or after December 31, 2012, with more specific restrictions on certain loss categories;
- the consequences of current or future tax audits and litigation; and
- any changes in applicable laws and regulations.

Important accounting principles

For a description of the Group's significant accounting principles and important accounting estimates, see Notes 2 and 3 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.

Historical consolidated statement of financial position of the Group for the years ended December 31, 2015, 2014 and 2013

The following table presents the Group's consolidated statement of financial position for the years ended December 31, 2015 and 2014 and 2013, in millions of euros. Financial information as of December 31, 2015 and 2014 is derived from the English language translation of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015 an English language translation of which is included elsewhere in this Offering Memorandum.

	As of December 31,		
	2013 Restated Information(1)	2014(2) Restated Information	2015
	(in millions of euros)		
Goodwill	1,484	10,554	10,554
Intangible assets	307	8,395	7,983
Property, plant and equipment	1,465	5,634	5,627
Investments in associates	3	126	110
Non-current financial assets	7	1,003	2,112
Deferred tax assets	133	501	2
Other non-current assets	—	50	57
Total non-current assets	**3,399**	**26,270**	**26,445**
Inventories	50	256	286
Trade and other receivables	403	2,732	2,723
Income tax receivables	3	252	271
Current financial assets	4	135	2
Cash and cash equivalents	101	620	355
Total current assets	**561**	**3,995**	**3,637**
Assets held for sale	—	—	—
Total assets	**3,960**	**30,265**	**30,081**
Share capital	124	487	440
Additional paid-in capital	2,108	9,748	5,360
Reserves	(1,979)	(2,283)	(1,545)
Equity attributable to the owners of the entity	**253**	**7,952**	**4,256**
Non-controlling interests	—	10	12
Total invested equity	**254**	**7,962**	**4,267**
Non-current long term borrowings and financial liabilities	2,590	12,539	16,443
Other non-current financial liabilities	112	810	215
Non-current provisions	74	635	727
Deferred tax liabilities	—	1,294	816
Other non-current liabilities	103	582	780
Non-current liabilities	**2,878**	**15,860**	**18,981**
Short-term borrowings and financial liabilities	43	179	254
Other current financial liabilities	22	99	588
Trade payables and other liabilities	700	5,011	4,878
Current income tax liabilities	—	217	187
Current provisions	6	330	328
Other current liabilities	57	606	597
Current liabilities	**828**	**6,443**	**6,833**
Total equity and liabilities	**3,960**	**30,265**	**30,081**

(1) A reconciliation between the prior presentation and the newly adopted presentation (excluding the effect of changes in accounting methods and the harmonization of certain management rules) with respect to the financial information as of and for the year ended December 31, 2013, is provided in the table below:

	2013 (Prior Presentation)[c]	Reclassifications[c]	2013 (Restated Information)[c]
		(in millions of euros)	
Goodwill	1,484	—	1,484
Intangible assets	307	—	307
Property, plant and equipment	1,465	—	1,465
Investments in associates	3	—	3
Non-current financial assets	7	—	7
Deferred tax assets	133	—	133
Other non-current assets	—	—	—
Total non-current assets	**3,399**	**—**	**3,399**
Inventories	50	—	50
Trade and other receivables	403	—	403
Income tax receivables	3	—	3
Current financial assets	4	—	4
Cash and cash equivalents	101	—	101
Total current assets	**561**	**—**	**561**
Assets held for sale	—	—	—
Total assets	**3,960**	**—**	**3,960**
Share capital	124	—	124
Additional paid-in capital	2,108	—	2,108
Reserves	(1,979)	—	(1,979)
Equity attributable to the owners of the entity	**253**	**—**	**253**
Non-controlling interests	—	—	—
Total invested equity	**254**	**—**	**254**
Non-current financial liabilities	2,702	(2,702)[a]	—
Non-current long term borrowings and financial liabilities	—	2,590[a]	2,590
Other non-current financial liabilities	—	112[a]	112
Non-current provisions	74	—	74
Deferred tax liabilities	—	—	—
Other non-current liabilities	103	—	103
Non-current liabilities	**2,878**	**—**	**2,878**
Current financial liabilities	64	(64)[a]	—
Short-term borrowings and financial liabilities	—	43[a]	43
Other current financial liabilities	—	22[a]	22
Trade payables and other current liabilities	757	(757)[b]	—
Trade payables and other liabilities	—	700[b]	700
Current income tax liabilities	—	—	—
Current provisions	6	—	6
Other current liabilities	—	57[b]	57
Current liabilities	**828**	**—**	**828**
Total equity and liabilities	**3,960**	**—**	**3,960**

(a) Financial liabilities are reclassified into two separate categories: (i) borrowing and financial debt and (ii) other financial liabilities.

(b) Reclassification of trade payables and other current liabilities between trade and other payables and current liabilities.

(c) Excludes the effect of changes in accounting methods and the harmonization of management rules. Includes SFR and Virgin Mobile.

Analysis of Historical Results for the Years Ended December 31, 2014 and 2015

The following table presents the Group's consolidated statement of income for the years ended December 31, 2014 and 2015, in millions of euros, and as a percentage of revenues. This financial information is derived from the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, an English translation of which is included elsewhere in this Offering Memorandum.

	Year ended December 31,				
	2014 (Restated Information)		2015		Change
	(in millions of euros and as a % of total revenues)				
Revenues	**2,170**	**100.0%**	**11,039**	**100.0%**	**8,869**
Purchasing and subcontracting	(630)	-29.0%	(3,890)	-35.2%	(3,260)
Other operating expenses	(670)	-30.9%	(2,467)	-22.3%	(1,797)
Personnel expenses	(170)	-7.8%	(877)	-7.9%	(707)
Amortization and depreciation	(496)	-22.8%	(2,554)	-23.1%	(2,058)
Other non-recurring expenses and revenue	(112)	-5.2%	(314)	-2.8%	(202)
Operating income	**91**	**4.2%**	**937**	**8.5%**	**846**
Interest income	15	0.7%	782	7.1%	767
Gross cost of debt	(504)	-23.2%	(781)	-7.1%	(277)
Other financial expenses	(111)	-5.1%	(47)	-0.4%	64
Net interest and other income	**(600)**	**-27.6%**	**(46)**	**-0.4%**	**554**
Earnings from equity-affiliates	4	0.2%	6	0.1%	2
Income before tax	**(505)**	**-23.2%**	**898**	**8.1%**	**1,403**
Income (expense) from income tax	317	14.6%	(215)	-1.9%	(532)
Net income from ongoing activities	**(188)**	**-8.7%**	**682**	**6.2%**	**870**
Income net of activities sold or in the process of sale	—	—	—		—
Net income	**(188)**	**-8.7%**	**682**	**6.2%**	**870**
Attributable to owners of the entity	(188)	-8.7%	675	6.1%	863
Attributable to minority shareholders	0	0	7	0.1%	7

Revenues

	Year ended December 31,		
Contribution of segments to consolidated revenues	2014	2015	Change
	(in millions of euros)		
B2C	1,409	7,595	439%
B2B	464	2,116	356%
Wholesale	297	1,328	347%
Total	**2,170**	**11,039**	**409%**

Group revenues for the year ended December 31, 2015 were €11,039 million, compared to €2,170 million for the year ended December 31, 2014, an increase of 409%. This increase was mainly due to the full year contribution of SFR and, to a lesser extent, Virgin Mobile, for the year ended December 31, 2015 compared to the single month of December in 2014. In 2014, SFR and Virgin Mobile contributed €835 million and €28 million, respectively, to Group revenues.

B2C activities comprise the largest share of consolidated revenues, representing €7,595 million for the year ended December 31, 2015, compared to €1,409 million for the year ended December 31, 2014, an increase of 439% from 2014 to 2015. This growth was largely the result of the contribution of the B2C activities of SFR and Virgin Mobile over a full year in 2015, compared to the single month of December in 2014.

As of December 31, 2015, the Group had 15.1 million mobile subscribers, of which over 83% are post-paid subscribers and the remainder pre-paid subscribers, as well as 6.3 million fixed subscribers, of which 1.8 million were very-high-speed subscribers, compared to 6.6 million fixed subscribers, of which 1.5 million were very-high-speed subscribers as of December 31, 2014.

Revenues from B2B activities were €2,116 million for the year ended December 31, 2015, compared to €464 million for the year ended December 31, 2014, an increase of 356% which was largely due to contribution of SFR over the full year of 2015 compared to the single month of December in 2014. The Group's B2B activity is now being developed under the SFR Business brand. The SFR Acquisition made it possible to complement the Group's B2B fixed-line operations, previously operated under the Completel brand, with a mobile component. As of December 31, 2015, the Group had over 6.8 million B2B post-paid fixed line subscribers.

Finally, revenues from Wholesale activities were €1,328 million for 2015, compared to €297 million for 2014, an increase of 347%. The increase was largely due to contribution of SFR over the full year of 2015 compared to the single month of December in 2014 relating to its wholesale MVNO and its DSL wholesale business.

Purchasing and subcontracting

Purchasing and subcontracting totaled €3,890 million for the year ended December 21, 2015, compared to €630 million for the year ended December 31, 2014, an increase of 517%. This increase was due primarily to the integration of SFR, and to a lesser extent Virgin Mobile, over the full year of 2015, compared to the single month of December in 2014. Purchasing and subcontracting costs includes acquisition costs, specifically the purchase cost of mobile hand-sets sold to subscribers who selected offers that included hand-set subsidies.

Other operating expenses

Other operating expenses totaled €2,467 million in the year ended December 31, 2015, compared to €670 million in 2014, an increase of 268%. This increase was largely due to the integration of SFR and Virgin Mobile into the Group, partially offset by the effect of synergies as a result of the SFR Acquisition and Virgin Mobile Acquisition, with the Group being able to quickly implement the planned synergies in 2015. Such synergies consisted of: (i) €218 million due to the restructuring of the Group's sales and marketing operations, (ii) €47 million as a result of customer service streamlining, (iii) €218 million due to network operations and maintenance savings, (iv) €34 million as a result of personnel rationalization measures, and (v) €34 million due to general and administrative efficiencies. In addition, synergies also included cost savings relating to decreases in the cost of goods sold, as a result of contract renegotiations and other cost optimization measures, and decreases in our cost base associated with declining revenues.

Personnel expenses

Personnel expenses totaled €877 million for the year ended December 31, 2015, compared to €170 million for the year ended December 31, 2014, an increase of 416%. This increase was due to the integration of employees of SFR and its subsidiaries, as well as those of Virgin Mobile, during the full year ended December 31, 2015.

Other non-recurring expenses and revenue

Other operating revenue and expenses represented an expense of €314 million in for the year ended December 31, 2015, compared to an expense of €112 million for the year ended December 31, 2014, an increase of 180%. In 2015, this specifically included expenses from the disposal of intangible assets and of property, plant and equipment, totaling €188 million, compared to €16 million in 2014.

Amortization and depreciation

Depreciation and amortization totaled €2,554 million for the year ended December 31, 2015, compared to €496 million for the year ended December 31, 2014, an increase of 415%. In addition to an increase in amortization due to significant investments made by the Group in rolling out its fiber infrastructure, the majority of the increase was due to the effect of SFR's integration into the scope of consolidation.

Operating income

Operating income was €937 million for the year ended December 31, 2015, compared to €91 million for the year ended December 31, 2014, an increase of 930%. This growth was largely due to the increase in operating income before amortization and depreciation as a result of the integration of SFR and Virgin Mobile.

Reconciliation of Operating Income to Adjusted EBITDA

	Year ended December 31,	
	2014 (Restated Information)	2015
	(in millions of euros)	
Operating income	**91**	**937**
Amortization and depreciation	496	2,554
SFR and Virgin acquisition costs[(a)]	61	16
Restructuring costs[(b)]	10	80
Costs associated with stock option plans	9	9
Other non-recurring costs/revenue[(c)]	42	263
Adjusted EBITDA	**708**	**3,860**

(a) For 2015, includes costs relating to the purchase of the Issuer's shares held by Vivendi on May 6, 2015. For 2014, includes costs associated with the SFR Acquisition and Virgin Mobile Acquisition.

(b) For 2015, includes €37 million in commercial site restoration costs, resulting from the workforce consolidation at the Saint-Denis site, €15 million in costs for cancellation of contracts specifically associated with the network, and €14 million in provisions for the closure of shops. For 2014, includes restructuring costs relating to the SFR Acquisition and the Group's acquisition of LTI Telecom in October 2013.

(c) For 2015, includes losses arising as a result of the write off of property, plant and equipment and intangible fixed assets in an amount of €188 million, including a loss of €116 million related to the unfavorable outcome of litigation regarding our ownership of the DSP 92 network, the impact during the period of costs related to certain contracts prior to their renegotiations of €45 million, costs of €14 million relating to a litigation and other non-recurring charges of an amount of €16 million.

Net interest and other income

Net interest and other income represented an expense of €46 million for the year ended December 31, 2015, compared to an expense of €600 million for the year ended December 31, 2014, a decrease of 92%.

Financial income was €782 million for the year ended December 31, 2015, compared to €15 million for the year ended December 31, 2014, an increase of 5,113%. This increase was largely due to the following non-recurring revenue, in connection with the purchase of the Issuer's shares held by Vivendi on May 6, 2015:

- Vivendi waived its right to receive a €750 million earnout relating to the SFR Acquisition that the Issuer would have owed Vivendi had it generated free cash flow equal to at least €2,000 million in any year before December 31, 2024. The Group thus recognised net financial income of €644 million in 2015 corresponding to the discounted value of the earnout recorded in the Group's non-current financial liabilities as of December 31, 2014;
- financial income of €124 million was also recognized in 2015 relating to the guarantees granted by Vivendi as part of the SFR Acquisition.

Gross debt cost was €781 million for the year ended December 31, 2015, compared to €504 million for the year ended December 31, 2014, an increase of 55%. Gross debt cost in 2015 consisted largely of the following items:

- interest on debt was €616 million for the year ended December 31, 2015, compared to €433 million for the year ended December 31, 2014, an increase of 42%. The higher interest compared for the year ended December 31, 2015 to the year ended December 31, 2014 was due to the July 2015 Incremental Term Loans and the October 2015 Incremental Term Loans established under the Existing Term Loans Agreement and the full year impact of the non-refinancing portion of the debt incurred in May 2014 relating to the SFR Acquisition. See "*Description of other Indebtedness*" for more information;
- amortization of financial expenses related to the implementation of financing represented an expense of €49 million for the year ended December 31, 2015, compared to €55 million for the year ended December 31,2014, a decrease of 11%, as the amount for the year ended December 31, 2014 included a non-recurring expense of €22 million as the non-amortized portion of expenses corresponding to debt refinanced in May 2014);

- unrealized foreign-exchange losses on dollar-denominated debt and financial instruments, recognized under income, of €30 million for the year ended December 31, 2015, compared to €17 million for the year ended December 31, 2014, an increase of 76%. We note that the Group implemented cross-currency swaps to hedge the euro/U.S. dollar exchange rate risk associated with interest payments and repayment of U.S. dollar-denominated bonds and bank loans borrowed in connection with the SFR Acquisition and the refinancing of existing indebtedness as part of the May 2014 Refinancing, as well as the new dollar-denominated portions of the July 2015 Incremental Term Loans and October 2015 Incremental Term Loans entered into in 2015. See "*Qualitative and Quantative Analysis of Market Risk*."
- an expense of €86 million for the year ended December 31, 2015 (compared to no cost for the year ended December 31, 2014) corresponding to the negative fair value of interest rate swaps entered into by the Group in July 2015, to cancel the coupon rate hedge over the 2019-2022 period on the Existing 2022 Notes and Existing 2024 Notes against payment of a balance in favor of the Issuer. Since these swaps were not a hedge, their fair value at December 31, 2015, was posted directly to net interest and other income.

Other financial expenses declined to €47 million for the year ended December 31, 2015 compared to €111 million for the year ended December 31, 2014, a decrease of 58%. This decline was primarily due to the fact that for the year ended December 31, 2014 the Group incurred €89 million in premiums paid as part of early repayments of bonds associated with the SFR Acquisition.

Income tax

Corporate income tax constituted an expense of €215 million for the year ended December 31, 2015, compared to income of €317 million for the year ended December 31, 2014, a decrease of 32%.

This expense was largely due to the Group recognizing increased income of €898 million before tax for the year ended December 31, 2015, compared to losses before tax of €505 million for the year ended December 31, 2014, and due to the fact that for the year ended December 31, 2014, following the SFR Acquisition, the Group recognized a deferred tax asset of €298 million based on updated projections of the use of tax losses deferrable over a medium-term horizon. For the year ended December 31, 2015, this deferred tax asset of €298 million was partially offset in 2015 by consumption of deferred taxes totaling €189 million. This consumption was offset by an increase in deferred tax assets recognized according to Purchase Price Accounting totaling €173 million.

Net income

Net income rose to a net gain of €682 million for the year ended December 31, 2015, compared to a net loss of €188 million for the year ended December 31, 2014 as a result of the combination of trends described above.

Analysis of Condensed *Pro Forma* Results for the Year Ended December 31, 2014 and Historical Results for the Year Ended December 31, 2015

To provide a more meaningful comparison of the Group's results for the year ended December 31, 2014, the following condensed *pro forma* financial information for the year ended December 31, 2014, has also been prepared. See Note 39 to the Issuer's audited condensed financial statements as of and for the year ended December 31, 2015, for further information. The following discussion compares the Group's results for 2015 on a historical basis with the Group's results for 2014 on a *pro forma* basis (as described below), unless otherwise indicated.

The condensed *pro forma* statement of income for the year ended December 31, 2014, shows the impact of the SFR Acquisition (namely the consolidation of SFR, SIG 50 and their subsidiaries) and the Virgin Mobile Acquisition (namely the consolidation of Omer Telecom Limited and its subsidiaries), as well as financing and refinancing activities, as if these transactions had occurred on January 1, 2014.

Condensed Income Statement

	Year ended December 31,			
	2014 (*Pro Forma*)		2015	
	(in millions of euros and as a % of total revenues)			
Revenues	**11,436**	**100%**	**11,039**	**100%**
Operating expenses	(10,961)	-96%	(10,102)	-92%
Operating income	**475**	**4%**	**937**	**8%**

Contribution of segments to consolidated revenues

	Year ended December 31,		
	2014 (*Pro Forma*)	2015	Change
	(in millions of euros)		
B2C	7,888	7,595	-3.7%
Mobile	4,965	4,722	-4.9%
Fixed	2,923	2,873	-1.7%
B2B	2,223	2,116	-4.8%
Mobile	779	713	-8.5%
Fixed	1,444	1,403	-2.8%
Wholesale	1,325	1,328	0.2%
Total	**11,436**	**11,039**	**-3.5%**

Revenues decreased to €11,039 million for the year ended December 31, 2015, compared to €11,436 million for the year ended December 31, 2014, a decrease of 3.5%. This decrease was primarily due to a decline in revenues in the B2C and B2B segments.

B2C revenues totaled €7,595 million for the year ended December 31, 2015, compared with €7,888 million for the year ended December 31, 2014, a decrease of 3.7%. This decline was primarily due to the erosion in B2C mobile revenue, which was €4,722 million for the year ended December 31, 2015, compared with €4,965 million for the year ended December 31, 2014, a decrease of 4.9%. This was in turn due to a decline in total subscribers, which totaled 15.1 million subscribers as of December 31, 2015, compared with 16.2 million subscribers as of December 31, 2014, a decrease of 6.8%. Mobile ARPU remained stable over the period at €22.5 reflecting the trends describe above under "*—Main Performance Indicators—ARPU (Average Revenue Per Customer)*".

B2C fixed revenues declined to €2,873 million for the year ended December 31, 2015, compared to €2,923 million for the year ended December 31, 2014, a decrease of 1.7%, due to a decline in the number of our fixed subscribers to 6.3 million subscribers as of December 31, 2015, compared with 6.6 million subscribers as of December 31, 2014, a decrease of 4.2%. The number of ADSL subscribers decreased to 4.5 million subscribers as of December 31, 2015, from 5.0 million subscribers as of December 31, 2014, a decrease of 9.8%, while the number of very-high-speed subscribers increased to 1.8 million subscribers as of December 31, 2015, from 1.5 million as of December 31, 2014, an increase of 17%.

As part of the same trend, ARPU increased to €35.1 for the year ended December 31, 2015, compared to €34.1 (*pro forma*) for the year ended December 31, 2014, an increase of 2.9%, reflecting the growth in very-high-speed subscribers, and higher associated ARPU, which offset the decline in our ADSL subscriber base. See "*—Main Performance Indicators—ARPU (Average Revenue Per Customer)*".

B2B revenues declined to €2,116 million for the year ended December 31, 2015, compared to €2,223 million for the year ended December 31, 2014, a decrease of 4.8%. This was largely due to the erosion in B2B mobile ARPU which reflected an extension of the price competition in the B2C mobile segment to the B2B mobile segment, as well as the erosion in rates for fixed voice services, which is becoming increasingly commoditized.

Wholesale revenues increased to €1,328 million for the year ended December 31, 2015, compared to €1,325 million for the year ended December 31, 2014, an increase of 0.2%. This increase was due to the positive performance of our MVNO business, sharp growth in data roaming volumes, and a positive trend in fixed activity.

Reconciliation of Operating Income to Adjusted EBITDA

	Year ended December 31,	
	2014 (*Pro Forma*)[e]	2015
	(in millions of euros)	
Operating income	**475**	**937**
Amortization and depreciation	2,299	2,554
SFR and Virgin acquisition costs[a]	61	16
Restructuring costs[b]	52	80
Costs associated with stock option plans[c]	13	9
Other non-recurring costs / revenue[d]	313	263
Adjusted EBITDA	**3,213**	**3,860**

(a) For 2015, includes costs relating to the purchase of the Issuer's shares held by Vivendi on May 6, 2015. For 2014, includes costs associated with the SFR Acquisition and Virgin Mobile Acquisition.

(b) For 2015, includes €37 million in commercial site restoration costs, resulting from the workforce consolidation at the Saint-Denis site, €15 million in costs for cancellation of contracts specifically associated with the network and €14 million in provisions for the closure of shops. For 2014, includes €42 million of settlement payments and other costs relating to strategic workforce planning (*Gestion Prévisionnelle de l'Emploi et des Compétences*, or "GPEC") and €10 million of restructuring costs relating to the SFR Acquisition and the Group's acquisition of LTI Telecom in October 2013.

(c) Expenses associated with the IFRS 2 standard.

(d) For 2015, includes losses arising as a result of the write off of property, plant and equipment and intangible fixed assets in an amount of €188 million, including a loss of €116 million related to the unfavorable outcome of litigation regarding our ownership of the DSP 92 network, the impact during the period of costs related to certain contracts prior to their renegotiations of €45 million, costs of €14 million relating to a litigation and other non-recurring charges of an amount of €16 million. For 2014, includes costs relating to tax audits notified during the year as well as the advisory fees connected with the May 2014 Refinancing by the Issuer totaling €20 million, costs relating to non-recurring disputes borne by SFR for the 11-month period ended November 30, 2014, totaling €196 million and costs of €54 million relating to the accelerated depreciation of set-top boxes and routers that were returned damaged or were not returned by subscribers.

(e) Excludes the effect of changes to certain management rules made as part of the SFR Acquisition pursuant to which the Group harmonized its rules for estimating and capitalizing internal costs related to network development and information systems to that of Altice N.V.'s. See Note 1 to the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum.

Adjusted EBITDA increased to €3,860 million for the year ended December 31, 2015, from €3,213 million for the year ended December 31, 2014, an increase of 20%. This was largely due to the effect of synergies as a result of the SFR Acquisition and Virgin Mobile Acquisition, with the Group being able to quickly implement the planned synergies in 2015. Such synergies consisted of (i) €218 million due to the restructuring of the Group's sales and marketing operations; (ii) €47 million as a result of customer service streamlining; (iii) €218 million due to network operations and maintenance savings; (iv) €34 million as a result of personnel rationalization measures; and (v) €34 million due to general and administrative efficiencies. In addition, synergies also included cost savings relating to decreases in the cost of goods sold, as a result of contract renegotiations and other cost optimization measures, and decreases in our cost base associated with declining revenues.

Analysis of Historical Results for the Years Ended December 31, 2013 and 2014

The table below presents the Group's consolidated income statement for the years ended December 31, 2013 and 2014.

	For the year ended Decembers 31				
	2013 (Restated Information)[(a)]		2014 (Restated Information)		Change
	(in millions of euros and % of revenues)				
Revenues	**1,314**	**100.0%**	**2,170**	**100.0%**	**855**
Purchasing and subcontracting	(307)	-23.3%	(630)	-29.0%	(324)
Other operating expenses	(282)	-21.5%	(670)	-30.9%	(388)
Personnel expenses	(113)	-8.6%	(170)	-7.8%	(57)
Amortization and depreciation	(304)	-23.1%	(496)	-22.8%	(192)
Other non-recurring expenses and revenue	(40)	-3.0%	(112)	-5.2%	(73)
Operating income	**269**	**20.4%**	**91**	**4.2%**	**(177)**
Interest income	10	0.7%	15	0.7%	5
Gross cost of debt	(199)	-15.2%	(504)	-23.2%	(304)
Other financial expenses	(134)	-10.2%	(111)	-5.1%	23
Net interest and other income	**(324)**	**-24.6%**	**(600)**	**-27.6%**	**(276)**
Earnings from equity-affiliates	(0)	0.0%	4	0.2%	4
Income before tax	**(55)**	**-4.2%**	**(505)**	**-23.3%**	**(449)**
Income (expense) from income tax	120	9.1%	317	14.6%	197
Net income from ongoing activities	**65**	**4.9%**	**(188)**	**-8.7%**	**(252)**
Income net of activities sold or in the process of sale	—		—		—
Net income	**65**	**4.9%**	**(188)**	**-8.7%**	**(252)**
Attributable to owners of the entity	65	4.9%	(188)	-8.7%	252
Attributable to minority shareholders	0	0.0%	0	0.0%	0%

(a) A reconciliation between the prior presentation and the newly adopted presentation with respect to the financial information as of and for the year ended December 31, 2013, is provided in the table below:

	2013 (Prior Presentation)[(7)]	Reclassifications[(7)]	2013 (Restated Information) (Unaudited)[(7)]
		(in millions of euros)	
Revenues	**1,314**	**—**	**1,314**
Purchasing and subcontracting	—	(307)[(1)]	(307)
Other operating expenses	(20)	(261)[(1)(6)]	(282)
Personnel expenses	(155)	41[(2)]	(113)
Amortization and Depreciation	(304)	—	(304)
Other non-recurring expenses and revenue	—	(40)[(3)]	(40)
Purchases and subcontracting services	(611)	611[(1)]	—
Taxes and duties	(34)	34[(1)(6)]	—
Provisions	(20)	20[(4)]	—
Other operating income	86	(86)[(2)]	—
Operating income	**256**	**13**	**269**
Interest income	10	—	10
Gross cost of debt	(185)	(15)[(5)]	(199)
Other financial expenses	(149)	15[(5)]	(134)
Net interest and other income	**(324)**	**0**	**(324)**
Earnings from equity-affiliates	(0)	—	(0)
Income before tax	**(68)**	**13**	**(55)**
Income (expense) from income tax	133	(13)[(6)]	120
Net income from ongoing activities	**65**	**0**	**65**
Income net of activities sold or in the process of sale	—	—	—
Net income	**65**	**0**	**65**
Attributable to owners of the entity	65	—	65
Attributable to minority shareholders	0	—	0

(1) The purchasing and outsourcing caption combines the direct costs related to sales (TV, telephony, data, etc.) and outsourcing costs. Other operating expenses include the following costs: (i) customer service, (ii) marketing, (iii) network, (iv) selling, (v) general and administrative expenses and (vi) taxes and levies. These costs were previously combined for the most part under the "Purchasing and subcontracting" and "Taxes and duties" line items.

(2) Personnel expense is now shown net of capitalized payroll, previously presented under "Other operating expenses" in the published financial statements. They include the provisions for risks and losses related to personnel previously included in the "Provisions" line item.

(3) This category combines Group income/expenses considered non-recurrent.

(4) Provisions are now broken down into new cost expense captions.

(5) The cost of gross debt corresponds to the interest expense on the Existing Term Loans and now includes the amortization of borrowing expense (using the effective interest method), exchange rate gains/losses on the Existing Term Loans, and the fair value impact of derivatives related to the Existing Term Loans. These items had previously been included in the "Other financial expenses" line items.

(6) The amount of the CVAE tax for December 2013 was reclassified in the "Income (expenses) from income tax".

(7) Excludes the effect of changes in accounting methods and the harmonization of management rules.

Revenues

Contribution of segments to consolidated revenues	Year ended December 31 2013 (Restated Information) (Unaudited)	2014 (Restated Information)	Change
	(in millions of euros)		
B2C	774	1,409	82.0%
B2B	310	464	49.8%
Wholesale	230	297	29.0%
Total	**1,314**	**2,170**	**65.1%**

The Group's revenues totaled €2,170 million for the year ended December 31, 2014, compared with €1,314 million for the year ended December 31, 2013, an increase of 65.1%. This growth was mainly driven by the contribution of SFR's B2C operations from November 27, 2014. SFR and Virgin Mobile contributed €835 million and €28 million, respectively, to total Group revenues in 2014.

The Group's B2C operations, including the contribution of SFR and Virgin Mobile of €590 million and €31 million, respectively, from the dates of their consolidation in the financial statements of the Issuer on November 27, 2014 and December 5, 2014, respectively, accounted for the majority of the increase of the Group's B2C revenues, which totaled €1,409 million for the year ended December 31, 2014, compared with €774 million for the year ended December 31, 2013, an increase of 82%.

At December 31, 2014, the Group had 16.2 million mobile subscribers, over 81% of which were post-paid subscribers (with the remainder being pre-paid subscribers), and 6.6 million fixed-line subscribers, including 1.547 million very-high-speed subscribers compared to 6.582 million fixed line subscribers, including 1.480 million very-high-speed subscribers as of December 31, 2013 (*pro forma*).

Revenues from B2B operations totaled €464 million for the year ended December 31, 2014, compared to €310 million for the year ended December 31, 2013, a year-on-year increase of 50%. For the year ended December 31, 2014, SFR contributed €151 million to B2B revenues. The SFR Acquisition made it possible to complement our B2B fixed-line operations, operated under the Completel brand, with a mobile component. As a result, as of December 31, 2014, the Group had approximately 6.7 million B2B post-paid fixed-line subscribers, compared to 6.2 million post-paid fixed-line subscribers as of December 31, 2013 (*pro forma*).

Revenues from Wholesale operations increased 29% from 2013 to 2014, from €230 million in 2013 to €297 million in 2014. SFR's additional contribution to Wholesale revenues for the year ended December 31, 2014, of €119 million was lower than its contribution to B2C and B2B revenues because the Issuer and SFR already provided each other with reciprocal services that were eliminated as a result of SFR's consolidation into the Group on November 27, 2014. Most of the increased business brought in by SFR related to its Wholesale MVNOs and DSL wholesale business.

Purchasing and subcontracting

Purchasing and subcontracting totaled €630 million for the year ended December 31, 2014, compared to €307 million for the year ended December 31, 2013, an increase of 105%. This increase was mainly due to the integration of SFR, which contributed €294 million to purchasing and subcontracting costs for the year ended December 31, 2014, and, to a lesser extent, of Virgin Mobile, whose purchasing costs, including in particular the cost of purchasing handsets sold to subscribers signing up for offers with handset subsidies, are traditionally very high in December, which is the month in which most handsets are sold. This also explains why SFR's contribution to operating income in December 2014 was low compared with its incremental effect on Group revenues.

Other operating expenses

Other operating expenses amounted to €670 million for the year ended December 31, 2014, compared to €282 million in the year ended December 31, 2013, an increase of 138%. On a like-for-like basis, other operating expenses were unchanged with the increase being solely due to the effect on the scope of consolidation of the Group due to the SFR Acquisition and Virgin Mobile Acquisition.

Personnel expenses

Personnel expenses amounted to €170 million for the year ended December 31, 2014, compared to €113 million for the year ended December 31, 2013, a 50% increase. This increase was due to the increase in the total number of our employees, which rose to approximately 15,600 permanent and fixed-term employees as of December 31, 2014, from approximately 2,100 permanent and fixed-term employees as of December 31, 2013, as a result of the SFR Acquisition and the Virgin Mobile Acquisition.

Operating income

Operating income declined to €91 million for the year ended December 31, 2014, compared to €269 million for the year ended December 31, 2013, a decrease of 66%. This change was mainly due to the effect of negative operating income generated by SFR (of €43 million) and Virgin Mobile (€12 million) in the month of December 2014, due to the high levels of commercial expenditure that SFR and Virgin Mobile incur in that month and the effects of certain non-recurring costs, primarily connected with the SFR Acquisition and Virgin Mobile Acquisition (see "*Reconciliation from operating income to Adjusted EBITDA*" below), partially offset by higher earnings before interest, taxes, depreciation and amortization on a like-for-like basis.

Reconciliation of Operating Income to Adjusted EBITDA

	Year ended December 31,	
	2013 (Restated Information)	2014 (Restated Information) (Unaudited)
	(in millions of euros)	
Operating income	**269**	**91**
Amortization and depreciation	304	496
SFR Acquisition and Virgin Mobile Acquisition expenses	0	61
Restructuring costs(a)	1	10
Costs relating to stock option plans	4	9
Other non-recurring costs(b)	39	42
Adjusted EBITDA	**616**	**708**

(a) For 2014, includes restructuring costs relating to the SFR Acquisition and the Group's acquisition of LTI Telecom in October 2013.

(b) For 2013 and 2014 includes costs of €15 million in 2013 and €22 million in 2014 relating to the accelerated depreciation of set-top boxes and routers that were returned damaged or were not returned by subscribers and the cost relating to the expensing of the net carrying amount of assets returned to local authorities at the end of public service delegations, as well as costs of €11 million in 2013 and €19 million in 2014 relating to provisions and/or costs related to tax and social security audits.

Amortization and depreciation

Amortization and depreciation increased to €496 million for the year ended December 31, 2014, compared to €304 million in the year ended December 31, 2013, an increase of 63%. In addition to higher amortization and depreciation on a like-for-like basis due to the Group's substantial capital expenditures in rolling out its fiber infrastructure, the majority of this increase was driven by the integration of SFR and its subsidiaries into the Group.

Net interest and other income

Net interest and other income represented an expense of €600 million in the year ended December 31, 2014, compared to an expense of €324 million in the year ended December 31, 2013, an increase of 85%.

Financial income rose to €15 million in for the year ended December 31, 2014, compared to €10 million for the year ended December 31, 2013, an increase of 50%. This increase was mainly due to income from the investment of the funds raised to finance the SFR Acquisition and placed in escrow for a number of months prior to completion of the SFR Acquisition and payment of cash to Vivendi.

There were two main reasons for the higher interest expense:

- The increase in the cost of gross financial debt, to €439 million for the year ended December 31, 2014, from €185 million for the year ended December 31, 2013, an increase of 137%, due to the additional financial debt incurred to finance the SFR Acquisition (which was incurred in May 2014 prior to the completion of the SFR Acquisition).
- The increase in other financial expenses relating to the May 2014 Refinancing which generated non-recurring expenses. Financial costs for 2014 included €22 million for unamortized expenses relating to the debts settled as part of the May 2014 Refinancing.

This increase was partly offset by the lower premiums paid in connection with the early repayment of bonds (€89 million in the year ended December 31, 2014 compared to €117 million in the year ended December 31, 2013, a decrease of 24%). In 2013, such premiums included expenses relating to the settlement of "Super PECs" (shareholder debt) totaling €81.6 million. Such "Super PEC" settlement, however, had no impact on Group cash insofar as it was settled through the issue of shares as part of the Issuer's initial public offering. See Note 5.1 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2014.

Net interest and other income, which represented an expense of €600 million for the year ended December 31, 2014, can be broken down into three categories:

- €436 million in recurring cash financial costs for the year ended December 31, 2014, compared with €181 million in the year ended December 31, 2013, an increase of 141%. This increase was due to the additional financial debt incurred to finance the SFR Acquisition. Recurring cash financial costs included:
  - Interest payments on the Group's pre-existing indebtedness totaling €55 million for the year ended December 31, 2014, down from the €177 million for the year ended December 31, 2013, a decrease of 68.9%.
  - Interest payments on the Existing Notes, Initial Term Loans and the draw-down fees on the Existing Revolving Credit Facilities totaling €378 million.
  - Miscellaneous cash interest on leasing or other credit lines of €3 million for the year ended December 31, 2014 compared with €3 million for the year ended December 31, 2013.
- €55 million in recurring non-cash financial costs for the year ended December 31, 2014, compared to recurring non-cash financial income of €5 million for the year ended December 31, 2013, mainly relating to the amortization of financing arrangement fees and the re-measurement of hedging instruments.
- €109 million in extraordinary financial costs for the year ended December 31, 2014, compared to €148 million for the year ended December 31, 2013, a decrease of 26.4%, including a cash portion for the early repayment penalties in connection with the May 2014 Refinancing of €89 million and the cancellation of the amortization of the Issuer's pre-existing financing arrangement fees of €20 million.

It should be noted that the Group arranged cross-currency swaps to hedge the euro/U.S. dollar exchange rate risk stemming from the interest payments and repayment of principal to be made in U.S. dollars under the Existing Dollar Notes, the Initial Term Loans incurred in connection with the SFR Acquisition and the May 2014 Refinancing. See "*—Liquidity and Capital Resources—Financial resources*" below. In 2014, these swaps, excluding the impact of interest rates, classified as hedging, and financial costs, net also included foreign currency differences (€1,064 million), offset by the corresponding re-measurement of derivative instruments for €1,047 million.

Income tax

Corporate income tax income (expense) rose to an income of €317 million for the year ended December 31, 2014, compared to an income of €120 million for the year ended December 31, 2013, an increase of 164%. The Group recognized net tax income in 2013 and 2014 as a result of the tax loss carryforwards capitalized in those two years.

In the year ended December 31, 2013, the Group recognized deferred tax assets totaling €132 million in respect of tax loss carryforwards the future use of which was considered likely within the five-year forecast period.

In 2014, the Group capitalized an additional deferred tax asset of €298 million based on updated projections of the use of loss carryforwards considered likely over the five-year forecast period having regard to (i) the establishment of a new tax consolidation scheme at the Issuer in the first half of 2014 and (ii) the SFR Acquisition as a result of which SFR joined that tax consolidation scheme in 2015.

Net income (loss)

Net income (loss) went from net income of €65 million for the year ended December 31, 2013 to a net loss of €188 million for the year ended December 31, 2014.

Liquidity and Capital Resources

General presentation

The Group's principal financing needs include working capital requirements, investment expenses, interest payments and loan repayments. In the periods under review, they also include the financing of acquisitions, such as the SFR Acquisition and the Virgin Mobile Acquisition in 2014, and financing shareholder dividends or share purchases, as occurred in 2015.

The main source of the Group's regular liquid assets is its operating cash flow. The Group's future ability to generate cash through its operating activities will depend on its future operating performance, which itself is dependent, to a certain extent, on economic, financial, competitive, market, regulatory and other factors, most of which are outside the Group's control. See "*Risk Factors—Risks Relating to the Group's Financial Profile*". The Group has cash and cash-equivalents to finance its current operating needs.

The Group has also regularly refinanced its debt. In May 2014, as part of the SFR Acquisition, the Group issued the Existing Notes in an aggregate principal amount equivalent to €7,873 million and obtained the Initial Term Loans pursuant to the Existing Term Loans Agreement with a total principal amount of €3,780 million (equivalent). The Group also entered into the Existing Revolving Credit Facilities Agreement, €300 million of which was available immediately while an additional €450 million became available upon completion of the SFR Acquisition. In the second quarter of 2015, the upper limit of this €750 million credit line was increased to €1,125 million. A portion of the proceeds from borrowings under the Initial Term Loans was used to refinance existing debt (incurred prior to the SFR Acquisition), including related repayment expenses and charges. The balance of the proceeds of the Initial Term Loans (after refinancing and paying the charges and expenses), together with proceeds from the issuance of the Existing Notes, was used to finance the SFR Acquisition and certain related expenses, and were placed in escrow accounts while awaiting completion of this acquisition. In July 2015, the Group entered into the July 2015 Incremental Term Loans under the Existing Term Loans Agreement and used the proceeds of an additional €798 million borrowed under the July 2015 Incremental Term Loans to refinance outstanding borrowings under the Existing Revolving Credit Facilities (which had been drawn in May to finance the purchase of a portion of the Issuer's shares held by Vivendi). In October 2015, the Group entered into the October 2015 Incremental Term Loans under the Existing Term Loans Agreement and used the proceeds of an additional €1,684 million borrowed under the October 2015 Incremental Term Loans to finance a portion of a dividend declared in December 2015. The July 2015 Incremental Term Loans and the October 2015 Incremental Term Loans were incremental tranches provided under the Existing Term Loans Agreement entered into in May 2014.

The Group also undertook a capital increase via a rights issue in 2014 (while maintaining shareholders' right of first refusal to subscribe shares) totaling €4,733 million euros (the "Capital Increase), the proceeds of which were used to partly finance the SFR Acquisition.

The Group estimates that its 2016 financing needs will primarily include working capital requirements (see "*Financing of working capital requirements*" below), investment expenses, interest expenses and debt repayments.

Financial resources

Overview

In 2014 and 2015, the Group primarily used the following financing sources:

- Total cash flow generated by operating activities was €3,135 million for the year ended December 31, 2015, compared with €893 million for the year ended December 31, 2014, an increase of 251%, and;
- *Available cash*. Total cash and cash equivalents were €355 million as of December 31, 2015, compared with €620 million as of December 31, 2014, a decrease of 42.7%. See Note 22 of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.
- *Debt*. Total financial liabilities of the Group totaled €17,500 million as of December 31, 2015, compared to €13,627 million as of December 31, 2014, an increase of 28%. As of December 31, 2014, debt largely included the obligations with respect to the Existing Notes and drawings under the Existing Term Loans (each of which was incurred in May 2014 in connection with the SFR Acquisition), as well as the Perpetual Subordinated Notes, finance leases, subscriber deposits, bank overdrafts and the earnout payable to Vivendi in connection with the SFR Acquisition. As of December 31, 2015, debt included the same items with the exception of the earnout payable to Vivendi in connection with the SFR Acquisition, which was cancelled following the purchase of Vivendi's shares in the Issuer by the Group and Altice in May 2015. Debt at December 31, 2015, included the following new items: the outstanding balance of the Existing Revolving Credit Facility; the securitization of receivables taken over from SFR; reverse factoring; and the negative fair value of certain interest and exchange rate instruments. See Note 24 the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.

Financial liabilities

The Group's total financial liabilities totaled €17,500 million as of December 31, 2015, compared with €13,627 million as of December 31, 2014, an increase of 28.4%. The following table shows the distribution of the Group's gross debt (i.e., including interest and amortization of fees and expenses) as of December 31, 2014 and 2015:

	As of December 31,	
	2014	**2015**
	(in millions of euros)	
Financial Liabilities under Existing Notes[(a)]	8,735	9,478
Financial Liabilities under Existing Term Loans[(b)]	3,983	6,680
Marked-to-market swaps	—	87
Financial Liabilities under Existing Revolving Credit Facilities[(c)]	—	451
Finance leases	69	66
Security deposits received from subscribers	86	135
Bank overdrafts	36	126
Other financial liabilities[(d)]	678	434
Perpetual Subordinated Notes	40	43
Total financial liabilities	**13,627**	**17,500**

(a) As of December 31, 2014, includes (i) aggregate principal amount of €8,670 million, (ii) accrued interest of €186 million and (iii) amortization of up-front fees of €(121) million. As of December 31, 2015, includes (i) aggregate principal amount of €9,392 million, (ii) accrued interest of €201 million and (iii) amortization of up-front fees of €(115) million.

(b) As of December 31, 2014, includes (i) aggregate principal amount €4,047 million, (ii) accrued interest of €32 million and (iii) amortization of up-front fees of €(96) million. As of December 31, 2015, includes (i) aggregate principal amount of €6,781 million, (ii) accrued interest of €49 million and (iii) amortization of up-front fees of €(149) million.

(c) As of December 31, 2015, includes (i) aggregate principal amount of €450 million and (ii) accrued interest of €1 million.

(d) As of December 31, 2014, other financial liabilities primarily includes the €750 million earnout potentially owed to Vivendi following the sale of SFR to the Group, linked to the Group's future financial performance, but accounted for at a value of €644 million. Following the purchase of Vivendi's shares in the Issuer by the Issuer and Altice in May 2015, Vivendi waived its rights to this earnout. The debt was therefore completely eliminated in 2015. As of December 31, 2015, other financial liabilities primary include the outstanding balance of liabilities relating to the securitization program of €171 million and the reverse factoring program of €241 million (as further described herein).

The following table shows the Group's net financial liabilities (i.e., excluding interest and amortization of fees and expenses) as of December 31, 2014 and 2015:

	As of December 31,	
	2014	2015
	(in millions of euros)	
Financial Liabilities under Existing Notes	8,670	9,392
Financial Liabilities under Existing Term Loans	4,047	6,781
Financial Liabilities under Existing Revolving Credit Facilities	—	450
Finance leases	69	66
Other financial liabilities	70	147
Financial Liabilities contributing to net financial debt[(a)]	**12,856**	**16,836**
Cash	191	210
Cash equivalents[(b)]	429	144
Exchange rate effect on derivative instruments[(c)]	1,063	2,080
Total net financial debt	**11,173**	**14,401**

(a) Liability items correspond to the nominal value of financial liabilities (excluding accrued interest, impact of EIR, perpetual subordinated notes, operating debts (notably guarantee deposits, securitization debts and reverse factoring) and earn-out to Vivendi). All these liabilities are translated at the closing exchange rates.

(b) These correspond primarily to money-market mutual funds (OPCVM).

(c) As of December 31, 2014, the value of the derivative instruments may be broken down into an exchange-rate effect of €1,063 million and a rate effect of €151 million. The rate effect is not included in net financial debt in the above table, but is included in Note 24.4 of the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2014. As of December 31, 2015, the value of the derivatives may be broken down into an exchange-rate effect of €2,080 million and a rate effect of €252 million. The rate effect is not included in net financial debt on the above table, but it is included in Note 24.5 of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015.

Existing Notes, Existing Term Loans, Existing Revolving Credit Facilities and Associated Swap Arrangements

On May 8, 2014, the Group issued the Existing Notes and entered into the Existing Term Loans Agreement and Existing Revolving Credit Facilities Agreement in order to finance the SFR Acquisition and refinance existing indebtedness under the Ypso France Senior Facility Agreement France (including existing bonds made available to the Group thereunder). Prior to this financing and refinancing, the Issuer and its subsidiaries had outstanding indebtedness of €2,638 million under the Ypso France Senior Facility Agreement (which included €300 million of guaranteed notes (the "Old Guaranteed Senior Notes") issued by a special purpose vehicle and made available to the Group via a tranche under the Ypso France Senior Facility Agreement). On May 21, 2014, Numericable refinanced this debt in its entirety (the "May 2014 Refinancing"). On July 20, 2015, the Group obtained the July 2015 Incremental Term Loans. On October 14, 2015, the Group obtained the October 2015 Incremental Term Loans. The proceeds of the July 2015 Incremental Term Loans were used to refinance amounts drawn under the Existing Revolving Credit Facility and the October 2015 Incremental Term Loans were used to finance a dividend declared in December 2015. The Group's leasing contracts and the Perpetual Subordinated Notes (see "*Description of Other Indebtedness*" above) remained on the balance sheet of the Group.

The main steps relating to the abovementioned financing activities are described below:

- On May 8, 2014, prior to the May 2014 Refinancing, the Issuer issued the Existing Notes for an aggregate principal amount equivalent to €7,873 million which included the following tranches:
  - $2,400 million aggregate principal amount of $4^{7}/_{8}$% Senior Secured Notes due May 15, 2019 (the "Existing 2019 Notes");

- €1,000 million aggregate principal amount of $5^{3}/_{8}$% Senior Secured Notes due May 15, 2022 (the "Existing 2022 Euro Notes");
- $4,000 million aggregate principal amount of 6% Senior Secured Notes due May 15, 2022 (the "Existing 2022 Dollar Notes", and together with the with the Existing 2022 Euro Notes, the "Existing 2022 Notes");
- €1,250 million aggregate principal amount of $5^{5}/_{8}$% Senior Secured Notes due May 15, 2024 (the "Existing 2024 Euro Notes", and with the Existing 2022 Euro Notes, the "Existing Euro Notes");
- $1,375 million aggregate principal amount of $6^{1}/_{4}$% Senior Secured Notes due May 15, 2024 (the "Existing 2024 Dollar Notes", and with the Existing 2019 Notes and the Existing 2022 Dollar Notes, the "Existing Dollar Notes", and the Existing Dollar Notes together with the Existing Euro Notes, the "Existing Notes").

- On May 8, 2014, Company, Ypso France S.A.S. and Numericable U.S. LLC entered into the Existing Term Loans Agreement providing for borrowing up to a principal amount equivalent to approximately €3,780 million. On May 21, 2014, the following amounts were drawn under the Initial Term Loans: the Issuer borrowed €635 million, Numericable U.S. LLC borrowed $2,600 million and Ypso France S.A.S. borrowed €1,265 million.
- On May 8, 2014, the Issuer and certain of its subsidiaries entered into the Existing Revolving Credit Facilities Agreement providing for a revolving line of credit up to a principal amount of €750 million. An amount of €300 million was available under the Existing Revolving Credit Facilities as of May 21, 2014 and a further €450 million was available as of November 27, 2014 (the date of completion of the SFR Acquisition).
- The Company entered into swap agreements intended to cover its exposure to fluctuations in the U.S. dollar/euro exchange rate and of the London interbank offered rate ("LIBOR") for the payment of interest and principal denominated in U.S. dollars of the Existing Dollar Notes and the interest and the borrowings denominated in U.S. dollars under the Existing Term Loans. See "*Swap Agreements*" below.

A portion of the proceeds of the Initial Term Loans was used to refinance certain existing indebtedness of the Group pursuant to the May 2014 Refinancing (as shown below). The balance of proceeds of the Initial Term Loans drawn under the Existing Term Loans Agreement as well as the proceeds of the Existing Notes were placed in escrow pending completion of the SFR Acquisition and were used to pay a portion of the acquisition price of the SFR Acquisition on November 27, 2014. The table below details the sources and uses of funds related to Existing Notes and the Initial Term Loans. Thus, in total, out of the funds raised, €8.9 billion were placed in escrow, €2.7 billion were used for the repayment of certain existing indebtedness and €72 million euros was used for the purposes of payment of fees and commissions:

	Amount (in millions of euros)
Funds placed in escrow and used to finance the SFR Acquisition	
Funds from the Existing Notes	7,873
Funds from the Initial Term Loans	1,030
The total amount placed in escrow and used to finance the SFR Acquisition	**8,903**
Funds used for the refinancing of existing debt	
Reimbursement of all the Credit Lines due for Ypso France Senior Facility Agreement[(a)]	2,638
Including the principal of Old Guaranteed Senior Notes[(b)]	380
Premium on the Old Guaranteed Senior Notes	89
Accrued interest of Old Guaranteed Senior Notes	17
Total debt repaid	**2,744**
Various commissions	72
Total	**11,720**

(a) Rather than a repayment in cash, the loans of Numericable U.S. LLC and Ypso France S.A.S. under the Ypso France Senior Facility Agreement were deemed exchanged for new credits under the Initial Term Loans.

(b) The Issuer of the Old Guaranteed Senior Notes used the proceeds collected for the reimbursement of the amounts due under the Ypso France Senior Facility Agreement to buy back all Old Guaranteed Senior Notes due.

For the purposes of the financing of the SFR Acquisition, in addition to the amounts of debt already raised and placed in escrow and the debt incurred in connection with the May 2014 Refinancing, the Issuer completed a capital increase consisting of the issuance of ordinary shares with maintenance of the preferential right of subscription of shareholders for an amount of €4,733 million (the "Capital Increase").

In 2015, the Group entered into the following additional loan facilities:

- On July 20, 2015, the July 2015 Incremental Term Loans was established under the Existing Term Loans Agreement comprising the following tranches:
  - A tranche B5 denominated in U.S. dollars for an amount of US $550 million, equivalent to €498 million (the "USD Term Loan B5");
  - A tranche B5 denominated in euros of €300 million (the "EUR Term Loan B5").

  The entirety of the funds raised was used to refinance the amounts drawn under the Existing Revolving Credit Facilities.
- On October 14, 2015, the October 2015 Incremental Term Loans under the Existing Term Loans Agreement comprising the following tranches:
  - A tranche B6 denominated in U.S. dollars for a total amount of $1,340 million, equivalent to €1,184 million (the "USD Term Loan B6");
  - A tranche B6 denominated in euros of €500 million (the "EUR Term Loan B6").

  The entirety of the funds raised was used to fund a part of the distribution paid to shareholders in December 2015.

In 2015, the Group entered into the following swap arrangements:

- In July 2015, in return for a lump sum payment received by the Issuer in January 2016 of €111 million, the Issuer receives variable rate U.S. dollars and pays fixed rate U.S. dollars for the period between 2019 to 2022 on the notional amount of the Existing 2022 Dollar Notes and Existing 2024 Dollar Notes. There is a clause early termination in 2019.
- In July 2015, the Issuer covered the interest and principal of the July 2015 Incremental Term Loans of $550 million at the rate of exchange of $1.1041 for €1.
- In October 2015, the company covered interest and principal of the October 2015 Incremental Term Loans of $1,340 million at the exchange rate of $1.1318 for €1.

The Existing Notes, the Existing Term Loans and the Existing Revolving Credit Facilities as well as other material indebtedness, obligations and agreements governing such indebtedness and obligations of the Group are described under "*Description of Other Indebtedness*".

Swap Arrangements

See "*—Qualitative and Quantitative Analysis of Market Risk*" for a description of the exposure of the Group to the risks of exchange rate and interest rates under these agreements.

Coverage of the interest and principal payments of 5 years and 8 years in U.S. dollars

The Issuer has entered into swap agreements intended to cover the risk of euro/U.S. dollar exchange rate associated with the interest payments required to be made in U.S. dollars for the Existing Dollar Notes and drawings under the Existing Term Loans denominated in U.S. dollars. In accordance with these swap contracts, the Issuer will exchange amounts in euros for the amounts in U.S. dollars to pay to each interest payment date semi-annually or quarterly, as applicable:

- On the basis of an exchange rate of €1.00 = $1.3827 for the Existing Dollar Notes, the USD Term Loan B1 and the USD Term Loan B2 (corresponding to the Initial Term Loans drawings on May 21, 2014);
- On the basis of an exchange rate of €1.00 = $1.1041 for the USD Term Loan B5 (corresponding to the July 2015 Incremental Term Loans drawn on July 31, 2015); and

- On the basis of an exchange rate of €1.00 = $1.1318 for the USD Term Loan B6 (corresponding to the October 2015 Incremental Term Loans drawn on November 10, 2015).

The swap agreements for the Existing Dollar Notes cover the interest payments between the first semi-annual payments due on August 15, 2014, and the last installment due on May 15, 2019, for the Existing 2019 Notes, May 15, 2022, for the Existing 2022 Dollar Notes and the Existing 2024 Dollar Notes. The swap agreements for drawings in U.S. dollars under the USD Term Loan B1 and USD Term Loan B2 cover payments of interest between the first quarterly installments due on July 30, 2014, and the last installment due on May 21, 2019.

The swap agreements related to drawings in U.S. dollars under the USD Term Loan B5 cover the interest payments between the first quarterly installments due on October 30, 2015 and the last installment due on July 30, 2022. However, these swap agreements were entered into in August 2015 and covered a margin of 3.25% for the USD Term Loan B5. After the establishment of the USD Term Loan B6 in October 2015, due to a most favored nation clause, the margin of the USD Term Loan B5 has been increased to 3.8125%. Therefore, the U.S. dollar part of the swap agreement does not cover fully the interest payments to the extent of the 0.5625% difference in margin.

The swap agreements related to drawings in U.S. dollars under the USD Term Loan B6 cover payments of interest between the first quarterly installments due on January 30, 2016, and the last installment due on January 30, 2023.

The Issuer has also covered the amount of principal of the Existing Dollar Notes and drawings under the Existing Term Loans denominated in U.S. dollars by these swap agreements. On May 15, 2019, the Issuer (i) will pay €1,736 million and will receive $2,400 million corresponding to the aggregate principal amount of the Existing 2019 Notes and (ii) will pay €1,880 million and will receive $2,600 million corresponding to the aggregate principal amount of USD Term Loan B1 and USD Term Loan B2 (even though they mature in May 2020). On May 15, 2022, the Issuer (i) will pay €2,893 million and will receive $4,000 million corresponding to the aggregate principal amount of the Existing 2022 Dollar Notes and (ii) will pay €994 million and will receive $1,375 million corresponding to the aggregate principal amount of the Existing 2024 Dollar Notes (even though they mature in May 2024). On July 30, 2022, the Issuer will pay €498 million and will receive $550 million corresponding to the aggregate principal amount of the USD Term Loan B5. On January 30, 2023, the Issuer will pay €1,184 million and will receive $1,340 million corresponding to the aggregate principal amount of the USD Term Loan B6.

The counterparties to the Issuer under the swap agreements may terminate the swaps at the end of five years for swap agreements of seven years, i.e. concerning the interests and aggregate principal amounts of the USD Term Loan B5 and USD Term Loan B6 and also for the swap agreements of eight years, i.e. concerning the interests and aggregate principal amounts of the Existing 2022 Dollar Notes and the Existing 2024 Dollar Notes. As such, they may unilaterally cancel such swap agreements two or three years before their maturity, as the case may be, and have the Issuer pay or pay to the Issuer (according to the market conditions at such date) the lump sum payment under the agreement.

Coverage of interest payments based on LIBOR

In addition to the euro/U.S. dollar exchange rate risk coverage objectives associated with the payment of interest to be made in U.S. dollars under the Existing Term Loans, the swap contracts which cover the drawings under the Existing Term Loans denominated in U.S. dollars permit the Issuer to convert its LIBOR exposure for such drawings into European interbank offered rate ("EURIBOR") exposure.

For the USD Term Loan B1 and USD Term Loan B2, the risk of the Group is however not covered fully, since the drawings under the USD Term Loan B1 and USD Term Loan B2 bear interest at the rate of LIBOR increased by a margin, subject to a floor of 0.75% on the LIBOR, while the swap agreements do not include this floor. The swap agreements for drawings under the USD Term Loan B1 and USD Term Loan B2 cover payments of interest between the first quarterly installments to be made on July 30, 2014, and the last installment due on May 21, 2019.

On the other hand, for the USD Term Loan B5, the Group has covered the floor of 0.75% on the LIBOR against the EURIBOR with a floor of 0.75% on the EURIBOR. The swap agreements for drawings under the USD Term Loan B5 cover the interest payments between the first quarterly installments due on October 30, 2015 and the last installment due on July 30, 2022.

Similarly, the Group has covered the floor of 0.75% on the LIBOR for the USD Term Loan B6 but against the EURIBOR without a floor. The swap agreements for drawings under the USD Term Loan B6 cover payments of interest between the first quarterly installments due on January 30, 2016, and the last installment due on January 30, 2023.

Coverage of interest payments based on EURIBOR

On February 18, 2016, the Issuer entered into a swap agreement with JP Morgan on a nominal €4.0 billion covering the variable rate EURIBOR 3 months against a fixed rate for a period of seven years. The Issuer receives the EURIBOR 3 months each quarter against a fixed negative rate of 0.121%. These exchanges occur on a quarterly basis on the dates of the April 30, July 30, October 30, and January 30. Consistent with other swap agreements of the Group whose maturity exceeds five years, JP Morgan has the right to cancel the swap agreement at the end of five years and have the Issuer pay or to pay the Issuer (according to the market conditions on such date) the lump sum payment under the agreement.

Collateral and guarantees

The swap agreements described above are guaranteed by the Guarantors on the same basis as the Existing Term Loans.

Other Financial Liabilities

As of December 31, 2014, other financial liabilities primarily included the €750 million earn out potentially owed to Vivendi following the SFR Acquisition depending on the Group's future financial performance. The amount of liability recorded in the financial statements was €644 million, which corresponds to a payment in 2018 updated at the average rate of the debt to a horizon of 4 years, i.e., approximately 4%.

In connection with the purchase of Vivendi's shares of the Issuer by the Group and Altice in May 2015, Vivendi waived its rights to this earn out. The debt was therefore completely eliminated in 2015.

Other financial liabilities have declined to €434 million as of December 31, 2015, from €677 million as of December 31, 2014, a decrease of 36%. As of December 31, 2015, the two main components of other financial liabilities are the securitization of certain claims of SFR for €171 million and the reverse factoring of SFR for €241 million.

In March 2015, SFR transferred without recourse its portfolio of company receivables established at March 22, 2015, net of assets and excluding some clients not eligible for this type of transaction for a price of €210 million to Ester Finance Titrisation ("Ester"), a subsidiary owned 100% by the Crédit Agricole Corporate and Investment Bank. Each month, SFR transfers without recourse the new receivables arising during the month and returns to Ester the receipts received on the receivables assigned during previous sales. Ester is committed to buy such receivables generated by SFR's enterprise segment during a period of 10 months up to a maximum of €220 million and in a revolving manner. This commitment is subject to customary termination rights for facilities of such a nature upon the occurrence of certain events (bankruptcy of the seller or its shareholder, non-compliance with certain obligations or commitments, default of payment in connection with the operation of securitization and the non-compliance of certain covenants of performance in relation only with the portfolio assigned). SFR continues to deal with the relationship with the business subscribers, billing, collection and recovery of debts and, Ester pays SFR for these services. The sale, being without recourse, means Ester assumes the risk of late payment or of insolvency of the debtors. To cover this risk, the sale price is not the face value of the claims but the face value minus a margin. SFR pays Ester for its irrevocable commitment to purchase the eligible receivables of SFR. SFR also pays at reference rate for the mobilization of the Ester fund between the date of the assignment and the date of actual payment of the invoice by the enterprise client of SFR. In connection with this agreement between SFR and Ester, the Issuer entered into a first demand guarantee in March 2015 pursuant to which the Issuer's guarantees SFR's obligations to Ester under such agreement up to a maximum amount of €300 million.

In August 2015, SFR, a subsidiary of BNP Paribas Group and certain major service and equipment providers to SFR entered into new agreements for the payment of invoices to such suppliers of SFR.

By amending the contract between the supplier and SFR, it has been acknowledged that this subsidiary of BNP Paribas will be assigned the invoices of the supplier against payment of the invoice on the original due date. In a separate agreement, SFR undertakes to pay the invoice by the extended due date to the subsidiary of BNP Paribas. The extension of the due date of the invoice may not exceed 360 days after the issuance of the invoice by the supplier. SFR pays the subsidiary of the BNP Paribas Group for the extension of the maturity of the invoice at the EURIBOR 1 month plus a margin. At December 31, 2015, invoices from eight suppliers for €206 million have been integrated in the program of extension of maturity. These invoices become due in the third or fourth quarter of 2016.

In November 2015, SFR, a subsidiary of the Société Générale Group and other suppliers of the Group have set up agreements similar to those described above to extend the maturity of certain invoices of these suppliers. At December 31, 2015, invoices from four suppliers for €33 million have been integrated in the program of extension of maturity. These invoices become due in the third or fourth quarter of 2016.

Own capital

Equity capital of the Issuer amounted to €4,256 million as of December 31, 2015, against equity capital of €7,952 million at December 31, 2014, a decrease of 46.5%. This change reflects mainly:

- Decreases in equity due to the redemption of 48,693,922 ordinary shares from Vivendi in early May 2015 for an amount of €1,948 million. These shares were subsequently canceled on May 28, 2015;
- Decreases in equity due to the distribution of the "issue premium" of €2,509 million. The annual meeting of December 15, 2015, approved an exceptional distribution of dividends in the amount of €5.70 per share; and
- Increases in equity due to the overall positive result of 2015 of €701 million.

Presentation and analysis of the main categories of use of the cash flow of the Group

Investment Expenditures

The investment expenditures of the Group are divided in the following categories:

- *Network:* Investments for the improvement, renovation, extension of the capacity, the expansion and maintenance of the networks of the Group (fiber, main network, DSL and mobile), performed directly or, for certain network extensions, through public-private partnerships;
- *Customers:* Investment expenditures related to purchases of mobile terminals, B2B and B2C subscriber premises equipment (mobile equipment, broadband routers and TV decoders), and creation of fiber connections between the company sites for the B2B segment;
- *Services Platforms:* Investment in the television platforms and fixed telephony services; and
- *Other:* Investment expenditures relating to projects on the wholesale market and miscellaneous investments.

In 2014 and in 2015, the investment expenditure of the Group amounted to €583 million and €1,856 million, respectively.

Payment of interest and repayment of loans

The Group paid interest in an amount of €605 million for the year ended December 31, 2015, and €263 million for the year ended December 31, 2014, an increase of 130%. It also repaid principal amounts of €838 million of its loans in the year ended December 31, 2015, and €2,638 million in the year ended December 31, 2014. These repayments reflect the refinancing operations carried out in 2014 and 2015 and amortization payments with respect to the Existing Term Loans in 2015, while the increase in interest paid in 2015 is the consequence of the increase in the Group's debt to finance the SFR Acquisition, with the amounts in question being in escrow accounts between May 2014 and November 27, 2014. The increase of interest paid also reflects the timing of payments of interest on the Existing Notes in August and February.

Funding the working capital requirement

The working capital requirement mainly corresponds to the value of the stock, plus customer debts and other operational credits, reduced by supplier debts and other operational debts. Structurally, the working capital requirement of the Group reflects the differences between its operating activities. In the B2C segment, the Group generates positive working capital because its B2C clients have shorter payment terms (usually five days), while in the B2B segment, the Group has negative working capital because its B2B subscribers have longer payment terms. As a result of the securitization transaction concluded with Ester Finance Titrisation, the Group reduced the collection time to approximately 40 days for its main subsidiary operating in the enterprise segment, SFR. Through the establishment of the reverse factoring for its main subsidiary SFR, the Group has extended these time limits for payment of these suppliers. In addition to these two financing instruments, the Group typically finances its working capital requirement from its operating cash flows.

In 2014, the Group generated €518 million of working capital (change of operating fund needs and BFR change related to tangible and intangible fixed assets). In 2015, the Group generated €58 million of working capital by including the operations of securitization and reverse factoring. Without these two operations, the Group would have consumed €354 million.

The variation of the working capital requirement represented a cash inflow of €58 million for the year ended December 31, 2015, against a cash inflow of €518 million for the year ended December 31, 2014, a decrease of 89%. This strong decrease is mainly explained by a one-time improvement in SFR's working capital position following renegotiation of certain contracts and payment terms following the SFR Acquisition, which is not reproduced in 2015. The decrease in the positive change in the Group's working capital requirements was partially offset by the establishment of the reverse factoring and securitization programs.

The table below presents the main components of variation of the working capital requirement. The variation of the need in the operational working capital affects the net cash flows generated by the operational activities. The variation of the need in the working capital of fixed asset providers and the amount remaining to be disbursed for the acquisition of 2x5MHz in the 700MHz band affects the net cash flows from investment operations. The securitization and the reverse factoring affect the net cash flows from financing operations.

	Year ended December 31,	
	2014 (Restated Information)	2015
	(in millions of euros)	
Variation of the need in the operational working capital	358	(322)
Changes in working capital requirement of fixed asset suppliers	160	446
Remaining amount to be disbursed for the frequency block of the 700MHz license[(1)]	—	(477)
Securitization and reverse factoring	—	412
Net cash flows generated by the variations of the working capital requirement	**518**	**58**

(1) Includes €11 million of estimated costs required to be able to operate the licenses.

Cash flows

The table below summarizes the consolidated statement of cash flows of the Group for the financial years ending December 31, 2014 and 2015.

	Year ended December 31,	
	2014 (Restated Information)	2015
	(in millions of euros)	
Net cash flow generated by operating activities	893	3,135
Net cash flow from investing activities	(13,632)	(1,732)
Net cash flow from financing activities	13,147	(1,758)
Adjustments of presentation without impact on the cash flows	74	—
Net Change in cash and cash equivalents	**482**	**(355)**

Net cash flows generated by operating activities

The table below summarizes the net cash flows generated by the consolidated operating activities of the Group for the financial years ending December 31, 2014 and 2015.

	Year ended December 31,	
	2014 (Restated Information)	2015
	(in millions of euros)	
The cash flow generated by the operating activities before changes in working capital requirement, interests, disbursed and corporate income taxes	609	3,697
Changes in working capital requirement (without suppliers of fixed assets, excluding securitization and reverse factoring)	358	(322)
Corporate income taxes disbursed	(74)	(240)
Net cash flows generated by the operating activities	**893**	**3,135**

The cash flow generated by operating activities before changes in working capital requirement, cashed interest and corporate income taxes

The cash flows generated by the operating activities before changes in working capital requirement, taxes, dividends and interests have increased to a cash inflow of €3,697 million for the year ended December 31, 2015, from a cash inflow of €609 million in the year ended December 31, 2014, an increase of 508%. The increase in the Adjusted EBITDA of €3,152 million between the year ended December 31, 2015, and the year ended December 31, 2014, is the main explanation for the increase in the cash flows generated by the operating activities before changes in working capital requirement, cash interests and corporate income taxes. This increase in the Adjusted EBITDA is the result of the integration of the results of SFR and Virgin Mobile for the full year of 2015, compared to 2014 which included the results of SFR and Virgin Mobile for only the one month of December 2014.

Corporate income taxes disbursed

The corporate income taxes disbursed represented a cash outflow of €240 million for the year ended December 31, 2015, compared to a cash outflow of €74 million during the year ended December 31, 2014, an increase of 227%. This increase in payments of corporate income tax in 2015 corresponds to the taxes paid by SFR for the full year of 2015, whereas in 2014 only one month of SFR taxes were included in the Group's financial statements.

Net cash flows from investing activities

The table below summarizes the net cash flows from consolidated investing activities of the Group for the years ended December 31, 2014 and 2015.

	Year ended December 31,	
	2014 (Restated Information)	2015
	(in millions of euros)	
Net investment expenditure (net of block of frequencies)	(583)	(1,856)
Acquisition of companies	(13,206)	(2)
Adjustment to the SFR Acquisition price	—	123
Disposals of companies	—	18
Financial investments	(3)	16
Change in working capital of suppliers of fixed assets	160	446
Remaining amount to be disbursed for the 700MHz frequency block license[(1)]	—	(477)
Net cash flow from investing activities	**(13,632)**	**(1,732)**

(1) Includes €11 million of estimated costs required to be able to operate the licenses.

Net investment expenditure (net of block of frequencies)

The investment costs are net investment expenditures net of receipts from assignment and sale of tangible and intangible assets and investment grants received.

The cash flow used for net investment costs has increased to a cash outflow of €1,856 million for the year ended December 31, 2015, from a cash outflow of €583 million for the year ended December 2014, an increase of 219%. This increase is mainly the result of the addition of investment expenditure of SFR and Virgin Mobile for 2015, whereas net investment expenditure for 2014 includes only the month December for investment expenditures of SFR and Virgin Mobile.

Acquisition of companies

In 2014, the Group acquired SFR and Virgin Mobile respectively for €13,366 million and €295 million, of which €200 million was funded by a contribution of Vivendi. SFR and Virgin Mobile had €255 million of accounting cash at the opening balance sheet after their respective acquisitions.

	Acquisition cost
	(in millions of euros)
SFR Acquisition price	(13,366)
Virgin Mobile Acquisition price	(295)
Vivendi contribution to Virgin Mobile	200
Cash flow on company acquired	255
Other	—
Acquisition expenditures	**(13,206)**

In 2015, the Group has participated in the capital increase of Synerail for €3 million offset in part by the cancellation of the Synerail debt linked to this increase of capital for €1 million

Adjustment to the SFR Acquisition price

In December 2014, the Issuer challenged Vivendi's calculation of the net debt at the closing of the SFR Acquisition. In connection with the purchase of the Issuer's shares from Vivendi in May 2015, the Issuer and Vivendi reached an agreement to adjust the net debt at the closing of the SFR Acquisition and therefore to reduce the SFR Acquisition price by €116 million.

Disposals of companies

In 2015, the companies Rimbaud 3 and Rimbaud 4, 49.9% subsidiaries of SFR, reduced their capital by €38 million due to initial over-funding of share capital. Half of the proceeds were paid to SFR. This reduction of capital occurred after the final delivery of the operational headquarters of the Group in St Denis.

Financial investments

The cash flow used by the net financial investment has increased by €19 million, to a cash inflow of €16 million for the year ended December 31, 2015, compared with a cash outflow of €3 million for the year ended December 31, 2014. The cash inflows in 2015 correspond mainly to different repayments of loans to shareholders of subsidiaries non-consolidated or put in equivalence.

Changes in working capital requirement of suppliers of fixed assets and remaining amount to be disbursed for the 700MHz frequency block license

On November 24, 2015, ARCEP has issued an authorization for the Group for the use of frequencies in a 2 x 5MHz band around frequencies of 700MHz. In consideration of this authorization, the Group made a commitment to ARCEP to pay a fixed fee for the use of €466 million. This payment is due in four installments between January 2016 and December 2018. The first payment of €116 million has been paid at the beginning of 2016. The Group is also committed to pay a variable royalty equal to 1% of the turnover achieved for the frequencies involved.

Net cash flows from financing activities

The table below summarizes the net cash flows from financing activities of the Group for the years ended December 31, 2014 and 2015.

	Year ended December 31,	
	2014 (Restated Information)	2015
	(in millions of euros)	
Issuance of shares	4,721	26
Purchase of own shares	—	(1,949)
Dividends paid	—	(2,516)
Dividend Received	—	8
Loan borrowings and bond issuances	11,403	3,677
Repayments of loans	(2,638)	(838)
Interest Disbursed	(263)	(605)
Securitization	—	171
Reverse Factoring	—	241
Other	(76)	26
Net cash flows from financing activities	**13,147**	**(1,758)**

Issuance of shares

In the fourth quarter 2014, the Issuer carried out a capital increase with preferential rights of subscription of €4,733 million. Net of commissions, the Issuer received €4,720 million, which was used to finance a portion of the SFR Acquisition price.

In addition, in the fourth quarter of 2015, the exercise of stock options by some managers of the Group resulted in the issuance of 1.9 million new shares at the average price of €13.87 in accordance with the stock option plan currently in force.

Purchase of own shares

The Issuer redeemed 48,693,922 of its own shares from Vivendi in early May 2015 for an amount of €1,948 million. These shares were subsequently canceled on May 28, 2015.

Dividends paid

The annual meeting of December 15, 2015, approved an exceptional distribution of dividends in the amount of €5.70 per share, for a total amount of €2,509 million, which was taken from the "issue premiums". Moreover, in the course of the year 2015, the Group paid dividends to certain minority shareholders of non-wholly owned subsidiaries of the Group in an amount of €7 million.

Dividends received

In the course of the year 2015, the Group received dividends of €8 million from certain subsidiaries in which it holds minority interests.

Loan and bond issuances

In the first half of 2014, the Group issued the Existing Notes and incurred borrowings under the Existing Term Loans Agreement for a total gross amount of €11,653.4 million. An amount of €250.2 million of fees and commissions were incurred in connection therewith.

In 2015, the Group borrowed an additional €3,677 million of debt as described below:

- In May 2015, €800 million was drawn under the Existing Revolving Credit Facilities to finance a part of the repurchase of own shares from Vivendi;
- In July 2015, an equivalent of €798 million was drawn under the July 2015 Incremental Term Loans to repay amounts drawn under the Existing Revolving Credit Facilities;
- In November 2015, an equivalent of €1,684 million was drawn under the Octobe 2015 Incremental Term Loan to finance a part of the distribution approved by the annual meeting of December 15, 2015;

- In December 2015, €450 million was drawn under the Existing Revolving Credit Facilities to finance a part of the distribution approved by the annual meeting of December 15, 2015; and
- Fees and expenses were incurred in an amount of €55 million relating to the above.

Repayments of loans

In the first half of 2014, the Group repaid the entire existing debt of the Group in an amount of €2,638 million. The €30 million of other repayments during the year 2014 correspond to repayment of maturing finance leases of €29 million and €1 million of various other debts.

In July 2015, the Group refinanced €800 million under the Existing Revolving Credit Facilities that had been drawn in May 2015 from the proceeds of the 2015 July Incremental Term Loan. The Group also repaid €38 million of the Existing Term Loans pursuant to the amortization payments in an amount of 0.25% of the initial principal due each quarter.

Interest Disbursed

The Group paid interests in the amount of €605 million for the year ended December 31, 2015, compared with €263 million for the year ended December 31, 2014, an increase of 130%.

Off-balance sheet commitments

See Note 33 of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, for a description of the contractual commitments of the Group.

The Group manages liquidity risk by using tailored reserves, bank lines of credit and reserve borrowing facilities as well as constantly monitoring its projected and actual cash flows in addition to matching the maturity profiles of its assets and liabilities. The table below presents the commitments and contractual obligations of the Group at December 31, 2015, excluding in particular future interest and commitments related to the benefits granted to employees and similar commitments.

	Due Date			
	< 1 year	1 to 5 Years	> 5 years	Total at December 31, 2015
	(in millions of euros)			
Loans and financial liabilities*	842	7,037	9,620	17,500
Operational leases	272	793	611	1,676
Total	**1,114**	**7,830**	**10,231**	**19,176**

* including amortized cost, U.S. dollar/euro adjustments and price supplements at fair value.

For the repayment schedule of borrowings under the Existing Term Loans and Existing Notes as of December 31, 2015, please refer to "—*Liquidity and Capital Resources*" above (excluding the acquisition of the 700 MHz licenses which have not been paid as of December 31, 2015).

Capital Expenditures

For the year ended December 31, 2015, the Group incurred capital expenditure of €1,856 million, compared to €583 million (historical) and €1,894 million (*pro forma*) for the year ended December 31, 2014, representing a 2% decrease. The key capital expenditures made by the Group in 2015 related to renovating and deploying the Group's fiber and mobile networks. This investment in the Group's fixed and mobile networks will be continued in 2016.

Qualitative and Quantitative Analysis of Market Risk

Currency risk

The Group is exposed to fluctuations in currency exchange rates. Revenue is recognized in euros, but a number of the Group's obligations are denominated in U.S. dollars. As a result, the Group is exposed to currency risks in the context of its financing activities.

Given that the financial statements of the Group are presented in euro, the Group has to convert its debts into euro using the exchange rate then applicable. As a result, fluctuation in the value of the U.S. dollar against the euro may affect the value of debt denominated in U.S. dollars in its financial statements. As of December 31, 2015, the debt exposure in U.S. dollars amounted to $12,239 million excluding accrued interest and disregarding deduction of the initial costs of incurrence, and the Group's debt exposure in euro amounted to €5,381 million excluding accrued interest and disregarding deduction of the initial costs of incurrence, the Perpetual Subordinated Notes, debts connected with operations, and the bank overdrafts.

The Group is also exposed to currency risk involving interest due in U.S. dollars on its debt denominated in U.S. dollars. The Group seeks to cover this exposure using derivatives. There can be no guarantee that the Group's hedging strategies will fully protect its operating income from the effects of currency exchange fluctuations or that such hedges will not limit any gain that the Group might otherwise obtain by virtue of favorable movements in exchange rates.

For each tranche of U.S. dollar-denominated debt, the Issuer enters into swap contracts with several counterparties to cover for part or all of their financial obligations linked to U.S. dollars.

For a description of swap contracts entered into by the Issuer, see "*—Liquidity and Capital Resources—Financial resources—Existing Notes, Existing Term Loans, Existing Revolving Credit Facilities and Associated Swap Arrangements*" and "*—Liquidity and Capital Resources—Financial resources—Swap Arrangements*".

Impact of swaps on the consolidated financial statements of the Issuer

There are two types of swap agreements entered into by the Group:

- The swaps on the Existing Dollar Notes have been characterized as a cash flow hedge because they exactly match the flows of the underlying obligations. The effective portion of the change in fair value of these derivatives is recorded against items of other comprehensive income. It is reflected in income when the item hedged affects income. These swaps include exchange rate hedge and interest rate hedge items. As of December 31, 2015 these instruments had a fair value in favor of the Group of €1,377 million excluding accrued interest. This fair value consists of an exchange rate component that has a positive fair value of €1,518 million and an interest rate effect that has a negative fair value of €142 million. The positive portion is recognized as financial income to offset the exchange rate loss on the Existing Dollar Notes. On the other hand, as of December 31, 2015 the fair value of these financial instruments involving interest rate hedging items was recognized under other comprehensive income items at €129 million (i.e., it was recognized under shareholders' equity). The Group also recognized the deferred tax on these instruments under other comprehensive income items (i.e., it was recognized under shareholders' equity), in the amount of €49 million as of December 31, 2015.
- The swaps on the Existing Term Loans are recognized as natural hedging (fair value category through profit and loss according to IAS 39). The difference in recognition of such swaps compared to those relating to the Existing Dollar Notes is connected with the variable rates of the underlying Existing Term Loans. These derivatives are accordingly recognized at their fair value on the balance sheet and changes in value impact income. As of December 31, 2015, the fair value of these financial instruments (which also include two items; that is, an exchange rate component and an interest rate component) was recognized as financial income of €484 million excluding accrued interest, thus favorably impacting the Group's net income. See Note 31 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum, for more information on the posting of these swaps.

Interest rate risk

The Group is exposed to interest rate risk and changes in interest rates could have an adverse impact on the servicing of its debt. The Group is mainly exposed to the risk of fluctuations in interest rates under the Existing Term Loans, which are indexed to EURIBOR or, for loans denominated in U.S. dollars, to LIBOR, plus an applicable margin. In 2015, the Group was exposed to LIBOR for the period of 2019 to 2022, as a result of the termination of two U.S. dollar fixed-floating swap agreements on the principal amount of the Existing 2022 Dollar Notes and the Existing 2024 Dollar Notes (in exchange for the payment of a cash adjustment in January 2016) which we replaced with floating rate U.S. dollar swap agreements (whereas the Existing 2022 Dollar Notes and Existing 2024 Dollar Notes are fixed-rate liabilities of the Group) for the 2019 to 2022 period.

In addition, any amount that the Group borrows under the Existing Revolving Credit Facilities will bear interest at a floating rate. An increase in interest rates applicable to the Group's debt will reduce the funds available to repay its debt and to finance its operations and investment expenditures. Although the Group can resort to various derivative instruments to manage its exposure to interest rate movements, there is no assurance that it will be able to continue to do so at a reasonable cost.

In order to cover its exposure to the risk of fluctuations in LIBOR (which applies to the portions of the Existing Term Loans denominated in U.S. dollars) the Group has entered into swap agreements (which cover its exposure to fluctuations in the U.S. dollar/euro exchange rate and in LIBOR) converting its exposure in LIBOR into exposure to EURIBOR. The Group has adopted different strategies with regards to hedging its interest rate risk under the Existing Term Loans. See "—*Liquidity and Capital Resources—Financial resources—Swap Arrangements*", above, for further information on such hedging strategies.

As of December 31, 2015 the Group had no contracts covering its risk of exposure to fluctuations in the EURIBOR. The EURIBOR could significantly increase in the future, resulting in an additional interest burden upon the Group, reducing the cash flows available for investments and limiting its ability to meet debt servicing for certain of its debt securities.

As of December 31, 2015, the Group's exposure to variable-rate debt amounted to €7,231 million and the Group's exposure to fixed-rate debt amounted to €9,604 million. As of December 31, 2014, the Group's exposure to variable-rate debt amounted to €4,047 million and the Group's exposure to fixed-rate debt amounted to €9,064 million. The Group's exposure to variable-rate debt increased by 79% from December 31, 2014 to December 31. 2015 and the Group's exposure to fixed rate debt remained unchanged. The increase in variable-rate exposure is explained by (i) the increase in the U.S. dollar versus the euro and (ii) the incurrence of the July 2015 Incremental Term Loan and the October Incremental 2015 Term Loan.

The Group has entered into interest rate swap agreements and interest rate cap agreements in the past and it plans to continue to do so. No guarantee can be given as to the ability of the Group to satisfactorily manage its exposure to interest rate fluctuations in the future or to continue to do so at a reasonable cost.

In February 2016, the Issuer entered into a new hedging agreement with JP Morgan for a principal amount of €4,000 million under which, each quarter, the Issuer receives three month EURIBOR and pays a negative fixed rate of (0.121%). This instrument will mature in 2025 and contains a five year termination clause in favor of JP Morgan. As a result of this agreement, of the €7,231 million of variable rate debt not covered as of December 31, 2015, only €3,231 million remains uncovered as of the date of this Offering Memorandum.

Given the respective dimensions of the fixed-rate debt and the variable-rate debt of the Group and the rate swaps entered into by the Group in converting its exposure to LIBOR variations into exposure to EURIBOR variations, including the February 2016 hedging agreement entered into with JP Morgan, a sudden change of 50 basis points in the EURIBOR could have had an effect, over an entire year, of €10 million upwards or downwards on the net income of the Group for the year ended December 31, 2015. However, as a result of the swap agreements described above, the Group has no exposure to variations in LIBOR.

Credit and/or counterparty risk

The credit and/or counterparty risk represents the risk that a party to a contract with a member of the Group may breach its contractual obligations, resulting in a financial loss to the Group.

Financial instruments that could expose the Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in the consolidated financial statements, net of impairment, represents the Group's maximum exposure to credit risk.

The Group believes that it has very limited exposure to concentrations of credit risk relating to trade receivables by virtue of its vast and diverse customer base (government entities and consumer market) operating in many industries throughout France. An analysis of the credit risk pertaining to net trade receivables past due appears in Note 21 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum.

The Group's policy is to invest its cash, cash equivalents and investment securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above. The Group enters into interest rate contracts with leading financial institutions and currently considers that the risk of a breach by its counterparties of their obligations is extremely low, considering the fact that their credit ratings are monitored and that the financial exposure for each of these financial institutions is limited.

Insurance

The Group has obtained general civil liability insurance and insurance covering property and operating losses that, it is noted, contain coverage exclusions and deductibles. The Group is not insured against certain operational risks for which no insurance exists or which can only be insured under terms that the Group considers unreasonable. In addition, the Group has no protection against the risks connected with the recovery of trade receivables. The Group regularly takes out insurance policies covering the risks connected with vehicle fleets. Through Altice, the Group is covered by insurance policies covering the civil liability of its corporate officers. These insurance policies contain, among other things, certain coverage exclusions and deductibles.

The Group considers that its existing insurance coverage, including the amounts covered and the conditions of insurance, provides the Group adequate protection against the risks faced by the Group in the environments in which it operates, given the cost of such insurance and the potential risks to the Group in the conduct of its business. However, the Group cannot guarantee that it will not suffer any loss or that no legal action will be brought against it that may not be covered within the scope of the existing insurance.

REGULATION

The Group's business activities are subject to the laws and regulations governing the telecommunications sector and the information society in the European Union and France.

Regulation of electronic communications networks and services

The European regulatory framework for electronic communication

The European regulatory framework is based on the following five directives contained in the "2002 Telecoms Package" of the European Union, which apply to the seven relevant markets defined by European Commission's recommendation 2007/879/CE dated December 19, 2007:

- Directive 2002/21/EC dated March 7, 2002, concerning a common regulatory framework for electronic communications networks and services (the "Framework Directive");
- Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities (the "Access Directive");
- Directive 2002/22/EC dated March 7, 2002, on universal services and users' rights relating to electronic communications networks and services (the "Universal Service Directive");
- Directive 2002/20/EC dated March 7, 2002, concerning the authorization of electronic communications networks and services (the "Authorization Directive"); and
- Directive 2002/58/EC dated July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "Privacy and Electronic Communications Directive").

In addition to the 2002 Telecoms Package, the following legislation also applies to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, concerning competition in the markets for electronic communications networks and services (the "Competition Directive");
- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorization Directives;
- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic Communications Directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws;
- Directive 2009/114/EC of September 16, 2009, amending Council Directive 87/372/EEC on the frequency bands to be reserved for the coordinated introduction of public pan-European cellular digital land-based mobile communications in the Community;
- Directive 2014/53/EU dated April 16, 2014, on the harmonization of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC Text with EEA relevance;
- Directive 2014/61/EC of May 15, 2014, on measures to reduce the cost of deploying high-speed electronic communications networks;
- Regulation 2887/2000/EC dated December 18, 2000, on unbundled access to the local loop;
- Regulation 1211/2009/EC dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the "BEREC");
- Regulation 2015/2120/EC of November 25, 2015, laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (the "Open Internet Access Regulation");
- Regulation on the general protection of personal data that will soon be published in the Official Journal of the European Union and will replace the Directive 95/46/EC dated October 24, 1995, on privacy protection regarding the processing of personal data and the free movement of such data (the "Personal Data Directive"); and
- Regulation (531/2012/EC on roaming on public mobile communications networks within the European Union (the "Roaming Regulation");

- Regulation 2015/2352/EC of December 16, 2015 setting out the weighted average of maximum mobile termination rates across the European Union.

The Open Internet Access Regulation set new limits for retail roaming rates in Europe billed by mobile operators applicable between July 1, 2014, and April 29, 2016, and after April 29, 2016. The Roaming Regulation also abolished roaming charges as from June 15, 2017 and mandated a review of the limits of wholesale fees. The Report on the wholesale roaming market review to the European Parliament and the Council is due by June 15, 2016.

		July 1, 2014 to April 29, 2016	From April 30, 2016	
		Eurotariff	Additional roaming charges	Limit: National price + additional charges
Voice (retail)	Outgoing calls *(per minute)*	€0.19	€0.05	€0.19
	Incoming calls *(per minute)*	€0.05	€0.0114	
Voice (wholesale)	*(per minute)*	€0.05	€0.05	
SMS (retail)	*per message*	€0.06	€0.02	€0.06
SMS (wholesale)		€0.02	€0.02	
Data (retail)	*per Mb*	€0.20	€0.05	€0.20
Data (wholesale)		€0.05	€0.05	

The Open Internet Access Regulation introduced measures on net neutrality Article 3 of the Open Internet Access Regulation established the following net neutrality principles:

- The right of end-users to access and distribute content, use and provide applications and services, and use terminal equipment of their choice, irrespective of location, origin or destination of the information, content, application or service, via their internet access service; and
- Internet access service providers are to treat all traffic equally, without discrimination, restriction or interference.

These two principles are subject to the following exceptions:

- Compliance with court orders;
- Protecting the integrity or security of the network; and
- Prevention of network congestion occuring temporarily and under exceptional circumstances.

Moreover, operators are subject to stronger transparency obligations. They must in particular provide more information in customers' contracts (such as impact of traffic management techniques used by ISPs, the concrete impact of caps or allowances, information on connection speed, etc.).

The principle of net neutrality is also addressed in the bill for a digital Republic, which was passed by the National Assembly on January 26, 2016 and which should be reviewed by the Senate in April 2016. The bill provides that operators may not discriminate in providing access to the network on the basis of services and would appoint the Postal and Electronic Communications Regulator (*Autorité de Régulation des Communications Electroniques et des Postes,* "ARCEP") to ensure that this principle is observed.

Digital single market

On May 6, 2015, the European Commission published a communication ("A Digital Single Market Strategy for Europe"—COM (2015) 192) detailing its strategy for a digital single market. The strategy is founded on three pillars: (i) providing better access for consumers to on-line services across Europe, (ii) creating conditions for development of digital networks and services, and (iii) maximizing the growth potential of the European digital economy. Following the adoption of Regulation 2015/2120, on September 11, 2015 the European Commission launched a public consultation of the 2002 Telecoms Package (as amended in 2009).

On January 19, 2016, the European Parliament adopted the resolution "Toward a Digital market". In its resolution, the European Parliament welcomed the European Commission's Digital Single Market Strategy, but also expressed its concern about the divergent national approaches taken so far by EU member states when regulating the internet and the "sharing economy".. The topics addressed in the resolution include the necessity to increase consumer choice and to remove barriers for innovative start-ups. Other topics addressed in the resolution include copyright, regulation of the telecommunications sector, VAT rules, audio-visual media, e-skills, e-government, and employment rights.

With regard to regulation of the telecommunications sector, the Resolution also:

- emphasizes the key role of private investments in fast and ultra-fast communication networks in driving digital progress that must be supported by a stable EU regulatory framework enabling all players to make investments, including in rural and remote areas;
- reminds the member states of their commitment to reach by 2020 full broadband network deployment of minimum speeds of 30 Mbps; and
- underlines the need to ensure that end-user rights laid down in the telecommunications framework are coherent, proportionate and appropriate.

French regulatory framework applicable to electronic communications

Most measures implementing the European Regulatory Framework for Electronic Communications in France can be found in the Postal and Electronic Communications Code (*Code des Postes et des Communications Electroniques*, "CPCE"). The French Consumer Code also governs relations between electronic communications service providers and consumers. In addition to the many consumer protection rules that are not specific to the electronic communications sector, the «Chatel law» updated the French Consumer Code to protect consumers using mobile and internet technology (Articles L.121-84-1 *et seq*.). National Regulatory Authorities ("NRAs") are responsible for effective implementation and supervision of the Framework.

National Regulatory Authorities

ARCEP

In France, the NRA for electronic communications is ARCEP, created in January 1997. ARCEP is an independent administrative authority in charge of regulating the electronic communications sector, managing administrative procedures, defining access, interconnection and roaming conditions, calculating costs and contributions to the universal service and rate regulation, and assigning rights for the use of frequencies.

To exercise its prerogatives, ARCEP has a variety of powers, in particular to make regulations, control, settle disputes, advise and sanction. ARCEP's decisions may relate to asymmetric regulation (which apply to operators occupying a dominant position on the market) or symmetric regulation (which apply to all operators). Certain symmetric regulatory decisions need to be approved by the Ministry for Electronic Communication.

The law n° 2015-99 on growth, business and equal economic opportunities, of August 6, 2015 ("Macron Law"), endowed ARCEP with new powers and new missions, including the ability to require operators to amend their mobile network sharing agreements when necessary to achieve regulatory objectives. The ARCEP is required to publish a report evaluating investments by each mobile operators in the deployment of new infrastructure. On that occasion, the Authority will verify the respect of the radio network sharing agreement.

Competition Authority

The French Competition Authority is an independent administrative authority in charge of monitoring competition under Article L. 461-1 of the French Commercial Code. It is responsible for identifying anti-competitive practices in the market, merger controls and provision of advisory opinions.

In its role of identifying anti-competitive practices, in accordance with Articles L. 464-1 and 2 of the French Commercial Code, the Competition Authority can: (i) impose fines; (ii) require businesses to cease such practices; (iii) accept commitments with regard to elimination of anti-competitive practices and (iv) impose certain injunctions in the event of urgency. Under Article L. 464-8 of the French Commercial code, an appeal can be lodged against these decisions (in itself, not suspensive) before the Paris Court of Appeal, within one month. An appeal can be lodged against the ruling of the Court of Appeal of Paris in front of the Court of Cassation (Supreme Court) within one month.

In its merger control role, in accordance with Articles L. 430-1 et seq. of the French Commercial Code, the Competition Authority must give *ex ante* authorization to mergers between certain large businesses. It may: (i) authorize the merger; (ii) prohibit a merger; or (iii) subject authorization of a merger to certain conditions. Under Article R. 311-1 of the Code of Administrative Justice, the parties and third parties concerned can lodge an appeal (in itself, not suspensive) for annulment or reformulation with the Conseil d'État within two months.

In its advisory role, in accordance with Articles L. 462-1 et seq. of the French Commercial Code, the Competition Authority provides opinions on the function of the markets at the request of the government, parliament, courts, legal entities representing public interests or on its own initiative. No appeal can be brought against these opinions.

Conseil Supérieur de l'Audiovisuel

Created by the law no. 89-25 of January 17, 1989, the French Broadcasting Regulator (*Conseil Supérieur de l'Audiovisuel*, "CSA") seeks to safeguard the freedom of audiovisual communication in France. The law no. 86-1067 of September 30, 1986, which has seen several amendments, gives it powers with respect to the protection of minors, respect for the pluralistic expression of opinions, organization of electoral campaigns on radio and television, rigorous processing of information, allocation of spectrum to operators, respect for human dignity and consumer protection.

With regard to spectrum allocation, the CSA is responsible for administration and allocation of frequencies intended for radio and television. It is also responsible for planning "hertzian" spectrum bands to be used by radio stations, issuing licenses to use the frequencies, and planning and allocating broadcasting channels to digital terrestrial television operators.

In case of disputes regarding the above, the CSA performs an arbitral role between publishers of services and producers of works or audiovisual programs or their representatives, or the professional organizations representing them.

CSA can make recommendations to broadcasters and distributors of audiovisual communication services on compliance with the principles set forth in the law of September 30, 1986 referred to above. It has the powers to impose sanctions in case of non-compliance with the principles by broadcasters or distributors of services.

On March 9, 2016, a bill on strengthening freedom, independence and pluralism of the media passed the first reading at the National Assembly. If passed, this bill would, in particular, regulate the powers of the CSA regarding transfers of television channels.

General regulatory framework applicable to network operators and providers of electronic communication services

Pursuant to Article L. 33-1 and Articles D. 98-3 to D. 98-13 of the CPCE, every entity operating a network or providing electronic communications services to the public is bound by certain general obligations concerning number portability, regulation of value-added services, publication of service quality enquiries, and the financing of universal services.

Number portability

Portability is a service offered by providers of electronic communications services allowing its subscribers to maintain their telephone numbers when switching operators. Number portability is an obligation of all operators providing their services to end-users in accordance with Article L. 44, D.406-18 and D. 406-19 of the CPCE and extends to both fixed-line and mobile operators.

In January 2009, the leading operators, including members the Group, set up a dedicated entity, the Fixed Numbers Portability Association (*Association de la Portabilité des Numéros Fixes*) to effectively manage information sharing with regard to requests for fixed number portability.

ARCEP Decision no. 2013-0830 of June 25, 2013 lays down new obligations for operators that target the end-user market, in particular in terms of information and quality of service, which must be gradually implemented before October 1, 2015.

Concerning mobile number portability, the original regulatory mechanism has undergone several changes aimed at establishing maximum durations for switching, enhancing customer experience and ensuring information provisions for subscribers. ARCEP Decision no. 2012-0576 of May 10, 2012 specifies arrangements for the application of mobile number portability.

By Decree no. 23-10-2013 issued on November 1, 2013, the French Government approved the ARCEP decision dated June 25, 2013, specifying the procedures for portability of fixed-line numbers. The ARCEP decision establishes the following requirements for operators on the consumer market:

- portability processing duration is shortened to three working days, provided access is available;
- clarification of the rules for compensation in case of delay or mishandling of a number portability request;
- harmonized information to subscribers throughout the number portability process; and
- from October 2014, the introduction of a quarantine period, which enables a number to be ported up to 40 days after the account is cancelled.

By October 1, 2015, creation of an operator identity statement or (“RIO”, *relevé d’identité opérateur*) for fixed operators, like the RIO that already exists for mobile number portability, and implementation of a dedicated tool to make it easier for operators to identify the subscriber and facilitate the process to port one’s number to a new operators.

The process is also changing for the business market:

- the portability process is shortened to seven working days, provided access is available;
- for better information of business customers, fixed operators must make available all the technical and contractual information necessary to switch operators while retaining one’s fixed number;
- service is maintained until the actual portability: if the contract expires before portability occurred, the former operator should extend the provision of service on the fixed number until its actual portability;
- from October 2014: implementation of the quarantine period; and
- starting October, 1 2015: operators can jointly elect to extend the RIO-based control imposed on the consumer market to all or part of the business market.

To obtain their fixed RIO, users must call the toll-free number 3179 from their landline: and the RIO will be communicated to them verbally, and later confirmed in writing, using the method of their choice, including via SMS, e-mail or the post.

Regulation of value-added services

ARCEP Decision no. 2012-0856 of July 17, 2012, changed the principles of retail pricing of calls to short or special numbers. The decision aims to simplify the retail pricing of such calls and prevent certain abusive practices. Effective from January 1, 2015, it introduces a general pricing structure according to the “C + S” model that explicitly distinguishes in the retail price charged to the caller between (i) price C of the underlying telephone communication set by the original operator (ii) and Price S of the value-added service set by the provider of the service.

ARCEP Decision no. 2012-0661 of June 10, 2014 postponed the entry into force of the pricing reform on value-added services to October 1, 2015. Since October 1, 2015, Enterprises and public services have three types of numbers available for providing their services: toll-free numbers, numbers charged at the “normal” rate, and premium rate numbers.

Transparency for consumers will be ensured by the obligation to display calls to premium rate numbers on detailed telephone bills, and by the reverse directory created by operators and service providers (a special website is dedicated to this: infosva.org).

Transparency is improved thanks to the pricing display graphics being introduced with the reform, which associate a different color with each of the three types of number: green for toll-free numbers, grey for “normal” rate numbers, and purple for premium rate numbers.

Publication of service quality enquiries

Decision no. 2013-0004 of October 8, 2013 imposes on operators with more than 100,000 fixed-line subscribers the obligation to publish on its website (i) on a quarterly basis, measurements of service quality related to the quality of access to fixed line services per access type and (ii) on a six-monthly basis, measurements related to the quality of service measures for fixed telephony.

In July 2014, ARCEP set up a mobile telephony coverage and service quality monitoring survey On July 30, 2015, ARCEP published the findings of its survey aimed at assessing mainland France mobile operators' quality of service. Orange was found to be the operator with the highest overall score, with 153 indicators scoring above average, whether for telephony, SMS or data products. With 52 and 42 indicators scoring above average, respectively, the results for Bouygues Telecom and SFR were broadly similar. = Free mobile, whose 3G network was still being deployed, scored considerably less well on a sizeable numbers of indicators, with only 9 indicators scoring above average. In addition to these publications on the quality of mobile services, the quality of access to fixed-line services and the quality of fixed telephony service, ARCEP, in 2015, continued work and the publication of its new half-yearly observatory on the quality of internet access services in mainland France On December 18, 2015, ARCEP published its most recent findings regarding mobile coverage (2G, 3G, 4G) by the four operators for the month of July (source: ARCEP). While the 2G and 3G coverage is uniformly high (above 80% in all cases and above 90% in most cases) for each of the operators and for each of population coverage and territorial coverage, 4G coverage is still lagging behind. With regard to 4G population coverage, Orange cane first (76%), followed by Bouygues Telecom (72%), SFR (58%) and Free (52%). Only 28% of the territory is covered by Orange's network, followed by Bouygues Telecom' (24%), Free's (18%) and SFR's (15%).

ARCEP decision no. 2015-0833 of July 7, 2015 amending the mechanism for monitoring the quality of access to fixed-line services, entered into force on January 1, 2016.

Additionally, law no. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities amended Article L33-12 of the CPCE, giving ARCEP greater flexibility in implementing measures relating to service quality and coverage of electronic communications networks and services. While these measures are implemented by operators, they are now subject to supervision by independent bodies selected by ARCEP, and the related costs are borne directly by the operators concerned.

Financing of universal service

Pursuant to law no. 2003-1365 of December 31, 2003, the operator that is bound to guarantee the provision of universal service is designated on the basis of calls for applications . The application procedure is administered by the Minister for Electronic Communications. All the operators who want to apply for the universal service provider position in France, have to propose their candidatures with their technical and financial conditions and the cost of their services.

Orange was selected following the call for applications launched in 2013 for connection and telephone service components and was designated as service provider for these universal service components until November 2016 (a new operator could be chosen in November 2016). PagesJaunes, a provider, was chosen following the call for applications launched in 2011 for the provision of a subscribers' directory in printed form and was designated as service provider for this universal service component until December 2014.

Under Articles L. 35 et seq. of the CPCE, universal service obligations include (i) universal electronic communications service, (ii) additional services to universal electronic communications service, and (iii) general interest missions in electronic communications, defense and security, public research and higher education. Universal electronic communications service includes (a) connection to a fixed public network and quality telephony service, in particular facsimile communications and data communications, at rates sufficient for access to the internet, as well as free handling of emergency calls, at an affordable price; (b) a directory enquiries service and a subscriber directory; (c) special measures for disabled end-users.

Law no. 2015-990 of August 6, 2015 on economic growth, activity and equal economic opportunities removed access to public payphones from universal service.

No universal service provider is selected any longer for directory enquiry services and directory information because of the competitive situation on their respective markets.

Every year, ARCEP determines the net cost of universal service and puts in place a mechanism for shared financing between electronic communications operators in case of an unfair burden on the designated operator, for the period during which it was selected. In this case, ARCEP fixes operators' contributions (provisional, then final) proportionally to their relevant revenues. ARCEP decision no. 2015-0346 of April 21, 2015 set the final review of the net cost of universal service and operators' contributions for 2013 and ARCEP decision no. 2015-1441 of November 24, 2015 set operators' provisional contributions for 2016.

SFR's provisional contribution for 2016 is €7,473,099.

Asymmetric regulation of the fixed telephony markets and fast and superfast broadband markets

Review of fixed telephony markets

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. Ex ante asymmetric regulation is focused on market segments (mainly wholesale markets) in which distortions of competition and dominant market positions have been identified. Pursuant to the Framework Directive, Regulation 1211/2009 establishing the BEREC and articles L. 371 to L. 381 of the CPCE, ARCEP is required, under the supervision of the European Commission and the BEREC, and on the basis of the recommendation of the Competition Authority, to (i) define the relevant markets in France, (ii) analyze the relevant markets and identify companies that have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with the competition problems identified.

Analysis of the fixed broadband and superfast fixed broadband markets

ARCEP decisions no. 2014-0733, no. 2014-0734 and no.2014-0735 of June 26, 2014, respectively, established the fourth round of analysis of the wholesale market for physical network infrastructure access to the local wireline loop (market 4), the wholesale market within France for broadband and high-capacity broadband (market 5) and the wholesale market for capacity services (market 6) for the period from mid-2014 to mid-2017. These decisions define the asymmetrical regulation of broadband and superfast broadband fixed markets and apply only to Orange, identified as the only operator exercising significant influence in these markets. As such, Orange is subject to specific obligations concerning access (unbundling of the copper local loop and access to its infrastructures), in particular meeting reasonable requests for access and providing access under non-discriminatory conditions at regulated pricing conditions.

The unbundling of the Orange's copper lines is the main line of action in terms of sector regulation. It is through unbundling that multiservice offers such as the "triple play" offers on telephone lines that can support them have developed in France.

Unbundling requires operators to make considerable investments; the geographic coverage of operators is only extended gradually over the territory. Complementing unbundling, alternative operators have sometimes, on an infra-national basis, used wholesale offers of DSL run by Orange that enable them, to date, to market internet access services and telephone services over the entire territory in retail markets.

This new framework defines non-discriminatory obligations that have been strengthened in accordance with the European Commission's recommendation of September 11, 2013, on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

On November 12, 2015, ARCEP submitted for public consultation a draft rate cap covering 2016 and 2017 on access to Orange's copper local loop. The draft provides for the following rate changes:

Evolution of prices in euros

	Price in 2015	Price in 2016	Price in 2017
Monthly fee for unbundling	9.05	9.10	9.45
Total unbundling fees	56	50	50
Termination	20	15	15
After-sale services	135	105	105

On December 28, 2015, Orange reviewed its 2015 wholesale rate for monthly unbundling fees from €9.05 to €8.78 with retroactive effect from August 2015. The rate will be applied until the adoption of ARCEP's rate cap decision for 2016 and 2017.

On December 1, 2015, ARCEP submitted to public consultation a draft decision on rate cap for generalist access within France to the copper local loop (bitstream), for 2016 and 2017. The draft provides for the following rate change:

Evolution of prices in euros

	Price in 2015	Price in 2016	Price in 2017
Monthly fee for g mono VC	12.53	12.63	12.93

As announced by ARCEP at the end of 2015, and in accordance with the objectives set by its strategic review, on February 16, 2016, ARCEP adopted three decisions (no. 2016-0206; no. 2016-0207; no. 2016-0208) that introduce caps for the main unbundling tariffs, for the Orange bitstream product, and for wholesale line rental (WLR) and associated call origination products. In particular, the maximum recurring monthly wholesale tariff for full unbundling can be up to 9.10 € per month starting on March 1, 2016, and up to 9.45 € per month starting on January 1, 2017.

Asymmetric regulation of voice call termination markets and the regulatory framework specific to fixed broadband and superfast broadband

Analysis of fixed voice call termination markets

ARCEP decision no. 2014-1485 of December 9, 2014 established the fourth round analysis of the wholesale markets for fixed voice call terminations and mobile voice call termination for the period from January 1, 2015 to December 31, 2017. Concerning fixed voice call termination markets (market 3), every fixed-line operator is deemed to exercise significant influence on the market for the termination it provides on its individual network. The decision imposes rate control obligations on each operator and sets the following caps for fixed voice call termination:

- Until December 31, 2014, a c€0.08 /min cap, corresponding to the last cap the previous market analysis imposed;
- From January 1, 2015, a c€0.079 /min cap for 1 year;
- From January 1, 2016, a c€0.078 /min cap for 1 year; and
- From January 1, 2017, a c€0.077 /min cap for 1 year.

The regulatory environment specific to fiber optic superfast broadband

Pursuant to law no. 2008-776 of August 4, 2008, any entity that (i) is establishing or has established an optical fibre ultrafast broadband electronic communications line in an existing building or (ii) exploits an optical fibre ultrafast broadband electronic communications line, and which makes it possible to serve an end-user, must satisfy all reasonable requests from operators for access to said line. Except in cases defined by the regulatory authority, access is to be provided under transparent and non-discriminatory conditions from a point located outside the limits of the private property, and which allows third-party operators to connect to it, under reasonable economic, technical and access conditions. Any refusal to provide this access must be justified.

ARCEP has specified the regulatory framework and the principles set forth in Article L. 34-8-3 through several decisions and recommendations successively published since December 2009.

These decisions organize rules for sharing the terminal portion of FttH networks, i.e., downstream of the shared access point, in very densely populated areas and outside of them, in particular by specifying the obligations of the building operator regarding information provided to the commercial operator.

The decision no. 2009-1106 of December 22, 2009 for example defines very high density areas as densely populated municipalities where infrastructure-based competition is possible, and stipulates that the list of municipalities that make up these areas could be adjusted should the need arise.

ARCEP decision no. 2015-0776 of July 2, 2015 has specified and strengthened the obligations of building operators: they must guarantee the availability, traceability and non-discriminatory nature of information provided to commercial operators.

In addition, Article 117 of law no. 2015-990 of August 6, 2015 on economic growth, activity and equal economic opportunities instituted the status of fiber-covered zone (zone fibrée) that can be obtained once the establishment or operation of a fiber optic network that is open to sharing are advanced enough to trigger measures facilitating the switch over to superfast broadband, i.e., promoting the migration from a copper local loop to optic local loop.

Application for the status would be made by the operator that rolls out the new fiber optic network, or by the local authority that established it under Article L. 1425-1 of the general local authorities code. The minister responsible for electronic communications shall grant the status after obtaining ARCEP's opinion (this Article defines the terms under which local authorities can become involved in the electronic communications sector).

On, February 18 2016, ARCEP launched an observatory on mobile network rollouts in sparsely populated areas and officially notified Bouygues Telecom and SFR to meet their next deadline to provide 4G coverage in sparsely populated areas. ARCEP has also decided to closely scrutinize Bouygues Telecom and SFR 4G rollouts in sparsely populated parts of France. ARCEP approves the draft agreement between the four operators (as part of the town-centers coverage programme since "Macon Law) concluded to provide 2G and 3G coverage in the country's town centres.

At this stage, the implementing rules of the status have yet to be laid down (still waiting for its publication).

Regulatory framework specific to mobile operators

Obligations relating to networks and frequencies

Conditions for authorizations to use frequencies

Article L. 33-1 of the CPCE authorizes mobile operators to use frequencies to establish and operate 2G, 3G and 4G generation networks. These frequencies can be used in accordance with the conditions laid down in the European Directives (for the 900 MHz band) or the implementing decisions of the European Commission (for other frequency bands). These instruments are supplemented by the harmonization decisions of the Electronic Communications Committee (ECC) of the European Conference of Postal and Telecommunications Administrations (CEPT), as well as recommendations on the coordination of radio frequencies at borders. Within France, ARCEP lays down technical conditions for the use of radio frequencies for certain frequency bands.

New frequency allocation schedule

Following the allocation of frequencies in the 700 MHz band, new frequencies bands may be allocated in France in the years ahead (15 GHz bands in downlink direction, 2.3 GHz, 3.4 GHz bands). No schedule for new frequency allocations has been announced as of the date of this Offering Memorandum.

4G frequency refarming

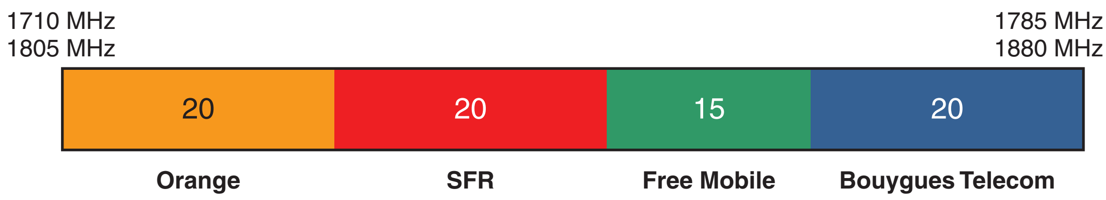
The 1800 MHz band is one of the two frequency bands that have historically been used by 2G networks. It is now due to progressively be reused more efficiently by 4G services. Consequently, the terms of mobile operators' licenses need to be amended to lift the 2G-only restriction they contain.

To make the band technology-neutral and to prepare for its reuse by 4G services, ARCEP published in March 2013, a guidance document for the introduction of technological neutrality in the 1800 MHz band (definition of the method applied in case of early request for the introduction of technological neutrality, i.e., before May 25, 2016, under the terms of Ordinance No. 2011-1012 of August 24, 2011 on the transposition of Directive 2009/140/CE) or before this date if the parties that hold licenses in that band so request.

ARCEP put these guidelines into effect when Bouygues Telecom requested that the technological restrictions listed in its license be lifted. As a result:

- Bouygues Telecom was authorized to use 4G at 1800 MHz from October 1, 2013 by ARCEP Decision No. 13-0514 of April 4, 2013.
- Free Mobile was authorized to use technologically neutral frequencies at 1800 MHz under ARCEP Decision No. 14-1542 of December 16, 2014.
- As for Orange and SFR, ARCEP authorized them to deploy 4G networks in the 1800 MHz starting on May 25, 2016 pursuant to Decision Nos. 2015-0975 and 2015-0976.

Therefore, starting on May 25, 2016, the 1800 MHz will be assigned as follows (source: ARCEP):



A decree is expected to set new fees for 4G services in the 1800 MHz band.

Network sharing

As stated in ARCEP Opinion No. 2012-1627 of December 20, 2012, while competition through infrastructure is important in ensuring competitive dynamics and a high level of investment, the sharing of networks is not incompatible with the goal of promoting competition. In a context of increased competitive pressure, and even as investment requirements remain significant, in particular in the rollout of 4G, the sharing of networks can offer operators a means to cut costs and deliver gains to users in terms of extending coverage and improving service quality.

The sharing of networks and frequencies is encouraged and even imposed in France through several specific mechanisms aimed at achieving the shared goal of expanding mobile coverage across the national territory:

- the "white zones" program initiated in 2003 under the auspices of the Minister for Regional Planning and ARCEP, to provide 2G coverage to the village centers of about 3,300 municipalities;
- an agreement on 3G network sharing, in accordance with ARCEP Decision No. 2009-329 of April 9, 2009, signed on February 11, 2010 by three mobile operators (SFR, Orange and Bouygues Telecom), providing for the sharing of 3G network infrastructure among mobile operators in the country's less densely populated areas. The agreement was supplemented by the signing of an agreement on July 23, 2010 with Free Mobile setting out arrangements for its deferred joining mechanism; and
- obligations to share networks and frequencies arising from authorizations to use 4G frequencies, providing that authorization holders cover, within a maximum period of 15 years (until January 2027), the village centers of municipalities located in the "white zones" and requiring that they jointly carry out the sharing of the 800 MHz band;
- incentives to share frequencies arising from authorizations to use 4G frequencies in the 700 MHz band (Bouygues Telecom, Free Mobile, Orange and SFR) also providing that their holders cover, within a maximum period of 15 years (until January 2027), the village centers of municipalities located in the "white zone" and urging them to sign framework agreements providing for a schedule and conditions under which, where necessary, the sharing of frequencies in the 700 MHz band will take place;

On May 27, 2014, by Decision No. 2014-0625-RDPI, ARCEP opened an administrative investigation into four mobile network operators with regard to their obligations to provide 3G coverage in less densely populated areas of the country in accordance with the agreement to share 3G network infrastructure in those areas. Article L.34-8-5 inserted in the CPCE Law No. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities provides for the signing of a new agreement among the State, local authorities and mobile network operators aimed at ensuring coverage of less densely populated areas. In anticipation of that arrangement, a memorandum of understanding was signed by mobile operators in May 2015, under which operators are bound to provide 2G coverage to the "white zones" by the end of 2016 and 3G coverage to the same zones by mid-2017.

Apart from these specific arrangements, the conditions under which network or frequency sharing agreements in general can be carried out by mobile operators were specified by the Competition Authority in an opinion issued on March 11, 2013.

On January 31, 2014, SFR and Bouygues Telecom announced the signing of an agreement on the sharing of part of their mobile networks (see "*Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*"). In a press release issued on January 31, 2014, ARCEP welcomed the agreement, provided that three conditions are met: (i) maintenance of the operators' strategic and commercial autonomy; (ii) absence of foreclosure effects; and (iii) improvement of the services provided to users in terms of coverage and quality of service. In addition, the signing of the agreement was referred to the Competition Authority by Orange on April 29, 2014. The decision is still pending.

Roaming

Roaming is another form of infrastructure sharing between operators under which an operator receives the customers of another operator on its network. Only the host operator's frequencies are used.

Roaming is implemented in France through several sets of specific measures including, in particular, (i) the "white zones" program initiated in 2003 and referred to above, as well as (ii) the arrangement concerning Free Mobile's 2G and 4G roaming rights.

In its 3G authorization, Free Mobile has a roaming right on the network of one of the three 2G operators until January 2016. In March 2011, Free Mobile signed a 2G roaming agreement with Orange, later extended to 3G, which is in force until 2018. On January 12, 2016, using its new power from the Macron Law, ARCEP plans to hasten the end of the roaming arrangements between Free Mobile and Orange:

- For 3G services, the agreements should be terminated between the end of 2018 and the end of 2020.
- For 2G services, the termination could come into effect between the beginning of 2020 and the end of 2022.

Free Mobile also has a 4G roaming right on the network of SFR, under which it obtained two 4G frequency blocks in the 800 MHz band.

On November 26, 2015, the Commission launched a public consultation on the review of national wholesale roaming markets, fair use policy and the sustainability mechanism referred to in the Roaming Regulation, as amended by Regulation 2015/2120.

Updates on Overseas Market

Overseas roaming refers to the ability to use her mobile phone plan when traveling in France but in French Territory that are not covered by her original operator (overseas departments and territories). This is identical to international roaming, when a user from France travels abroad, or a foreign user is travelling in France

On January 21, 2016, ARCEP provided the Government with its opinion on roaming charges in France's overseas markets. In 2015, the Government had solicited ARCEP's expertise to inform the debate over the Law no. 2015-1268 on updating laws in French overseas departments and territories, which ultimately inserted a provision into the CPCE that puts an end to roaming fees for mobile telephone calls and short text messages (SMS) for users travelling between Metropolitan and overseas France, starting on May 1, 2016. ARCEP considers that this new provision will substantially destabilize overseas markets.

Law no. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities amended the CPCE, giving ARCEP new prerogatives in terms of network sharing and allows ARCEP, after obtaining the opinion of the Competition Authority, to request the amendment of existing agreements, by specifying their geographical limits, term or conditions for their implementation. On January 12, 2016, ARCEP published draft guidelines for public consultation, in order to provide operators with greater visibility regarding the consequences of this change in legal framework.

Complementary regulatory framework applicable to mobile operators and symmetrical regulation from market analyses—mobile voice call termination and SMS voice call termination

Complementary regulatory framework applicable to mobile operators

Apart from the general obligations applicable to every network operator or provider of electronic communications service to the public (as specified in particular in Article L. 33-1 as well as in Articles D. 98-3 to D. 98-13 of the CPCE), mobile operators must meet certain complementary obligations applicable to them.

The Macron Law added a new Article L. 34-8-5 to the CPCE pursuant to which the French State, local governmental authorities and mobile operators may conclude an agreement defining the conditions of coverage of zones where no mobile service was then available. The agreement defines the conditions under which local governmental authorities can, after having determined that private initiatives are lacking, put certain types of infrastructure at the disposal of a service provider in order to provide 3G mobile services in such un-serviced zones.

ARCEP Decision No. 2012-0855 on the reorganization of number ranges starting with 06 and 07 provides for the creation of a mobile number range extending to 14 digits in mainland France and a ban on the use of 10-digit mobile numbers for Machine-to-Machine (“M2M”) communication services in mainland France effective January 1, 2016.

Due to difficulties faced by operators in implementing this decision and following the drop in the annual mobile number assignment rate, but without calling into question the risk of saturation linked to the increase in M2M requirements, ARCEP Decision No. 2015-1295 of October 22, 2015 authorizes operators who make such request to postpone the ban on assigning 10-digit mobile numbers for M2M communications until June 30, 2017.

Beyond these general obligations, mobile operators are also bound by symmetrical regulation obligations as part of market analyses conducted by ARCEP.

Analysis of mobile voice call termination markets

The regulation of mobile voice call termination rates led to a steady and significant drop in the caps of these rates over time as shown in the following table indicating how they changed for operators in mainland France:

	2002	2003	2004	2005	2006	2007	2008	As of July 1, 2009	As of July 1, 2010	From July 1, 2011 to Dec. 30, 2011	From Jan. 12, 2012 to June 30, 2012	July 1, 2012 to Dec. 30, 2012	As of Jan. 1, 2013	As of July 1, 2013	As of Jan. 1, 2015	As of Jan. 1, 2016	As of Jan. 1, 2017
									In c€								
Orange SFR	20.12	17.07	14.94	12.5	9.5	7.5	6.5	4.5	3								
Bouygues										2	1.5	1	0.8				
Telecom	27.49	24.67	17.89	14.79	11.24	9.24	8.5	6	3.4					0.8	0.78	0.76	0.74
Télécom																	
Free Mobile Full MVNO												1.6	1.1				

Source: ARCEP

ARCEP Decision No. 2014-1485 of December 9, 2014 established the fourth round analysis of the wholesale markets for fixed voice call terminations and SMS mobile voice call termination in mainland and overseas France for the period from January 1, 2015 to December 31, 2017. Concerning mobile voice call termination markets (market 7), every mobile and Full MVNO operator is deemed to exercise significant influence on the market for the termination it provides on its individual network. As such, the decision in particular imposes rate control obligations on each operator and sets the following caps for mobile voice call termination:

- Until December 31, 2014, a c€0.08/min cap for operators in mainland France and c€1/min for overseas operators, corresponding to the last caps the previous market analysis imposed;
- From January 1, 2015, a c€0.78/min cap for 1 year;
- From January 1, 2016, a c€0.76/min cap for 1 year; and
- From January 1, 2017, a c€0.074/min cap for 1 year.

Currently, the voice call termination rates of all operators regulated in France are in line with the European Commission recommendation of May 7, 2009 on the regulatory treatment of fixed and mobile termination rates in the European Union: they are symmetrical and directed towards the long-run incremental costs of an efficient generic operator.

Owing to ARCEP’s speedy implementation of this recommendation, France is one of the European Union countries where mobile voice call termination rates are lowest.

Analysis of mobile SMS voice call termination markets

ARCEP's regulation of SMS termination markets has led to a steady and significant drop in the pricing caps of SMS termination of operators regulated in mainland and overseas France, as shown in the following table:

	At Aug. 1, 2006	At Oct. 1, 2010	At July 1, 2011	At Jan. 1, 2012	At July 1, 2012	At Jan. 1, 2013
			In c€			
Orange and SFR	3	2	1.5			
Bouygues Telecom Télécom	3.5	2.17			1	1
Réunion Mayotte zone operators						
French West Indies and Guyana zone		3		2		

Source: ARCEP

As part of its fourth round analysis of wholesale fixed voice call, mobile voice and SMS termination markets, which was launched in 2013, ARCEP was considering maintaining and extending the regulation of SMS termination rates for three years, and the regulation appeared in the draft decision sent by ARCEP to the European Commission on October 28, 2014.

However, in its observations dated November 28, 2014, the European Commission expressed serious doubts about the draft regulation of SMS termination markets and opened a detailed investigation and discussion procedure with ARCEP and ORECE for two months (investigation phase).

After the allowed two-month period, the dialogue failed to identify any consensus on competitive risks and the regulation to be implemented to prevent them. As a result, ARCEP announced on January 29, 2015 that it was withdrawing its draft regulation of SMS terminations but would continue monitoring these markets.

Individual obligations arising from the Group's authorizations to use frequencies

SFR's authorizations to use mobile frequencies

The following table summarizes SFR's authorizations to use mobile frequencies, indicating for each frequency band the technology currently authorized, the quantity of frequencies allocated to SFR, ARCEP's decisions or orders, as well as allocation and expiration dates.

Band	Allocations	Changes	Quantity	Technologies	Allocation date	Expiration date
700 MHz	no. 15-1569		2 x 5 MHz	4G	12/08/2015	12/08/2035
800 MHz	no. 12-0039		2 x 10 MHz	4G	01/17/2012	01/17/2032
900 MHz	no. 06-0140	no. 08-0228 no. 10-0399 no. 11-1018 no. 12-0281 no. 15-0976	2 x 10 MHz	2G, 3G		
1800 MHz			2 x 23.8 MHz	2G	30/25/2006	03/25/2021
2.1 GHz	order of July 18, 2001 no. 01-0647	orders of January 7, 2002, December 3, 2002, December 16, 2003 no. 01-0972 no. 01-1195 no. 02-0052 no. 03-0201 no. 04-0069	2 x 14.8 + 5 MHz	3G	08/21/2001	08/21/2021
2.1 GHz	no. 10-0633		2 x 5 MHz	3G	06/08/2010	06/08/2030
2.6 GHz	no. 11-1171		2 x 15 MHz	4G	10/11/2011	11/10/2031

The values indicated in the above table reflect the frequency quantities allocated to SFR in 2015. These values will change in 2016, in accordance with ARCEP Decision No. 15-0976 of July 30, 2015, for the 1800 MHz band:

- 2 x 21 MHz to 1800 MHz, from January 1, to March 14, 2016;
- 2 x 28.1 MHz to 1800 MHz, from March 15, to May 24, 2016;
- 2 x 20 MHz to 1800 MHz, from May 25, 2016.

SFR is authorized to use 4G in the 1800 MHz band as of May 25, 2016, under ARCEP decision no.15-0976 of July 30, 2015.

In addition to the general obligations or symmetrical regulation described above, there are individual obligations linked to commitments made by SFR when it was granted the different authorizations to use frequencies for which it holds authorizations.

The individual authorizations are mainly the following:

3G coverage commitments

The table below summarizes the 3G coverage commitments applicable to SFR:

Time frame	**December 31, 2010**	**December 31, 2011**	**December 31, 2013**
Coverage obligation (as a % of the population coverage) . . .	88%	98%	99.3%

Source: ARCEP

Under Decision No. 2014-0624-RDPI of May 27, 2014, ARCEP opened an administrative inquiry into SFR to examine compliance with its commitment with respect to the last deadline for deploying its 3G mobile network, corresponding to 99.3% of coverage. The ARCEP haven't published any results of this inquiry yet regarding the 3G coverage of SFR.

Commitments in respect of superfast mobile broadband

The schedule below summarizes the deployment obligations set forth by SFR's 4G licenses in the 700 MHz, 800 MHz and 2.6 GHz bands:

Deadline	**10/11/2015**	**01/17/2017**	**10/11/2019**	**01/17/2022**	**10/11/2023**	**01/17/2024**	**01/17/2027**	**12/08/2030**
In the priority deployment area (18% of population and 63% of the territory		40% (800 MHz)		90% (800 MHz) 50% (700 MHz)			97.7%(*) (800 MHz) 92% (700 MHz)	97.7% (700 MHz)
In each *département*						90% (800 MHz)	95% (800 MHz) 90% (700 MHz)	95% (700 MHz)
Across mainland France	25% (2.6 GHz)		60% (2.6 GHz)		75% (2.6 GHz)	98% (800 MHz)	99.6% (800 MHz) 98% (700 MHz)	99.6% (700 MHz)
High-priority routes								100% (700 MHz)
National rail network				60% (700 MHz)			80% (700 MHz) 60% (700 MHz)	90% (700 MHz) 80% (700 MHz)

(*) Obligation that does not appear in authorizations, but results automatically from the obligation to cover 99.6% of the mainland France population.

Coverage commitments in priority deployment areas would have to be met using 800 MHz and 700 MHz frequencies. The other coverage obligations can be met using all the superfast mobile broadband frequencies allocated to SFR.

Under a new decision no. 2016-0244 of February 18, 2016, ARCEP sent a formal notice to SFR inviting the operator to respect their commitment of 4G coverage before January 17, 2017 (in January 2016 the 4G coverage of SFR was 8% where such coverage has to be 40% of coverage 2017).

MVNOs (Mobile Virtual Network Operators) hosting commitments

During the procedure to allocate residual frequencies of the 2.1 GHz band, SFR undertook to host MVNOs on its network under conditions "that do not restrict, without objective justification, competition on the wholesale hosting market of MVNOs and the commercial autonomy of MVNOs on the retail market".

Also, under its 4G license in the 800 MHz band, SFR notably undertook to:

(i) meet "reasonable requests to host on its mobile superfast broadband network opened to the public";

(ii) provide the MVNOs it hosts on its network with "hosting on economic terms that are reasonable, taking into consideration prevailing conditions on the wholesale and retail markets on which SFR operates, and compatible with the exercise of effective and fair competition on these markets; and

(iii) make "an offer based on the a full-MVNO architecture and involving the provision of access to its radio local loop "under conditions allowing its effective operation, in particular under non-discriminatory conditions in terms of quality of service in relation to those available to SFR for its own services".

Free Mobile's 4G roaming right in the 800 MHz band in priority deployment areas

SFR, which holds an authorization combining two blocks of 800 MHz band, must allow Free Mobile to roam, if Free Mobile makes a reasonable request, (i) once Free Mobile's 2.6 GHz network reaches 25% population coverage, and (ii) if Free Mobile does not already have roaming hosting on the mobile superfast broadband network of another frequency holder in the 800 MHz band. This right concerns 4G in the priority deployment area in the 800 MHz band or 18% of population and 63% of the territory.

Legal Status of Networks

General considerations

Telecommunications networks are predominantly comprised of physical infrastructure, such as cable ducts, network nodes and switches, in which telecommunications equipment, such as cable, is laid. These components may be subject to differing legal and regulatory considerations. As a consequence of the fact that the Group's physical infrastructure is built on both public property and private property owned by third parties, the Group has signed concessions agreements, farming contracts, public property occupancy agreements and leases with various property owners. The Group also benefits from certain easements and indefeasible rights of use ("IRUs") granted by land owners. The Group has also entered into certain agreements with Orange regarding use of its infrastructure.

The Group has built its network by acquiring and combining entities with established networks under differing regulatory regimes. Such entities previously operated under a combination of the regulatory frameworks described below.

Telecommunications equipment may be owned directly by telecommunications operators or third parties and several telecommunications operators may occupy and utilize the same infrastructure.

In accordance with Articles L. 2122-2 and L. 2122-3 of the general public property code, regional and local authorities may terminate public property occupancy agreements at any time by demonstrating that such action is in the public interest. Moreover, upon the expiration of a public property occupancy agreement, the occupant may be contractually obligated to: (i) return the entire network to regional or local authorities, in some cases for consideration corresponding to the fair market value of the network, and in other cases in absence of any consideration (ii) remove the entire network at the expense of the occupant or the regional or local authorities, (iii) transfer the network to other operators approved by regional or local authorities, or (iv) repurchase the network. In accordance with the law applicable to public property occupancy agreements, upon the expiration of leases designated as 'long-term leases', the infrastructure and equipment occupying the property reverts to regional and local authorities.

Specific Characteristics of the Cable Network

Networks utilizing Orange's infrastructure

In 1982, the French Government launched the Cable Plan (instituted by the laws of July 29, 1982 and of August 1, 1984). Pursuant to the Cable Plan, the cable network was initially built by the French Government prior to being transferred to Orange (the incumbent telecommunications operator in France). The network was initially operated by certain local entities funded by both private and public funds that the Group subsequently acquired. During such acquisitions, Orange granted the Group several IRUs over its infrastructure, which primarily consisted of ducts. These IRUs were entered into at different periods of time, and each granted the Group IRUs over Orange's infrastructure for

20 years. The renewal of the first IRU is scheduled to be negotiated with Orange in 2019. For a description of the IRU agreements signed by the Group with Orange.

In compliance with ARCEP decision 2008-0835 of July 24, 2008, on September 15, 2008, Orange published a technical and pricing quotation regarding third party access to its civil local loop fiber optic infrastructure, enabling third party telecommunications operators to deploy their own fiber optic networks through the use of Orange's ducts.

New Deal Plan

In 1986, the government launched the *Plan Nouvelle Donne* (the "New Deal Plan") pursuant to law 86-1067 of September 30, 1986 on the freedom of communication. This new regulatory framework authorized public local authorities to either build their own networks, or alternatively, to have such networks built by private entities. Several private entities that the Group subsequently acquired were commissioned to build such networks and secured both occupancy and usage rights as well as concessions to operate such networks for 20-30 year periods.

The New Deal Plan did not involve the use of standard-form contracts. Consequently, uncertainty arose surrounding the ownership of networks under certain long-term contracts between telecommunications operators and regional and local authorities. A main source of uncertainty related to contracts identified as "public service delegation contracts". Under a public service delegation contract, infrastructure and equipment used to provide public services are considered to be 'returnable assets' and consequently revert free of charge to local authorities upon the expiration or termination of the contract.

Law 2004-669 of July 9, 2004, which transposed the 2002 Telecoms Package into French law, imposed an obligation on local authorities to refrain from granting exclusive contractual rights for the establishment and/or operation of networks. In addition, law 2008-776 of August 4, 2008 authorized local authorities to grant rights of access to their networks to competitors of the Group, even in instances where such rights of access would be contrary to contractual obligations of local authorities under agreements entered into with Group. In a July 2007 report, ARCEP opined that while consequent disagreements related to the breach of such contractual obligations could only be definitively decided by the judiciary on a case-by-case basis depending on the wording of each individual contract, contracts entered into between private operators and local authorities after 1990 (following law 90-1170 of December 29, 1990, which enabled municipalities to operate independent telecommunications networks within the framework of the Plan Nouvelle Donne) were deemed public service delegation contracts and therefore integrated the idea of networks as "returnable assets" which revert to local authorities upon contractual expiration or termination.

In order to clarify the conditions for compliance related to agreements entered into prior to the imposition of law 2004-699, the Group proposed, in May 2010, to ARCEP that ownership of civil infrastructure under such agreements (i.e., ducts) should be granted to local authorities while ownership of telecommunications equipment and existing cables should be granted to the Group through a process of transfer.

This proposal resulted in the standardization of settlement agreements which incorporated the Group's proposal. Under the new standardized agreements, the Group also obtained non-exclusive rights to use its own telecommunications equipment in ducts located on public property that had reverted to local authorities. The non-exclusive nature of these rights also enabled the Group's competitors to install and use their own equipment in such ducts.

See "*Risk Factors—Legal status of the network is complex and in certain cases subject to renewal or challenges*" for a description of the risks associated with the legal status of the Group's network.

Regulation of audiovisual services

The transmission and broadcast of radio and television services, irrespective of the method of transmission, falls within the scope of the 2002 Telecoms Package and is therefore subject to supervision by NRAs.

The supervisory powers of the French audiovisual sector regulator—the CSA—were extended by law 2004-669 of July 9, 2004 and law 2013-1028 of November 15, 2013 to cover all forms of radio, television and on-demand audiovisual services, irrespective of the method of transmission or broadcast. As a distributor of radio, television and on-demand media services, the Group is required make certain disclosures regarding its operations to the CSA.

Pursuant to Articles 42-1 and 42-2 of law 86-1067 of September 30, 1986, the CSA may sanction operators found to be in breach of the regulatory framework. Such sanctions include the mandatory suspension from the distribution of services and a fine of up to 3% of the operator's annual revenues, or 5% in the event of repeated breaches.

As a distributor of audiovisual services, the Group is subject to certain "must-carry" obligations which require cable, satellite or ADSL service providers to provide certain mandatory services on its network.

These must-carry obligations are governed by Articles 34-2, 34-4 and 34-5 of law 86-1067 of September 30, 1986.

Article 34-2 provides that all network types operating outside of the terrestrial frequencies allocated by the CSA must include the following television channels to subscribers free of charge: France 2, France 3, France 5, Arte, TV5, France Ô and La Chaîne Parlementaire. In addition, where a digital offering is concerned, France 4 must also be provided free of charge. For non-satellite offerings, distributors must provide their subscribers with local public initiative services intended to inform the public of local activities.

Pursuant to Article 34-4 of law no. 86-1067 of September 30, 1986, all French private terrestrial television channels (e.g., TF1 or M6) can demand that their programs be carried by the distribution network operators (cable, satellite, ADSL and mobile devices) and the latter must allow an access to the decoders and reference the programs of this channel in its TV guides. The French constitutional, in Decision no. 2004-497 of July 1, 2004, confirmed that pursuant this article, the private television channels have a right of access to decoders and a right of access to TV guides of the distributors.

Article 34-5 requires that digital electronic communications networks air all of France 3's regional programs.

The CSA is also empowered to regulate the content of the services distributed in France. Article 15 of law 86-1067 of September 30, 1986 provides that the CSA must enact rules to protect minors against programs which are considered to be dangerous to physical and mental health. The CSA has accordingly enacted strict rules regarding the use of specific pictograms on programs that are deemed to be unsuitable for minors. As an operator and distributor of television services, the Group ensures strict compliance with such regulations.

Regulation of electronic communications content

Content of on-line services and liability of internet market players

The provisions regarding liability of internet providers are set out in the CPCE.

Legislative provisions were also introduced by law 2010-476 of May 12, 2010 to facilitate competition and to regulate online gambling and the gaming sector more generally. Law 2011-267 of March 14, 2011 on the policy and programming of the performance of internal security processes requires access providers to block access to certain websites and online content, such as illegal gambling sites and content involving sexual abuse of children, at the request of the French Online Gambling Regulatory Authority or the Ministry of Interior (*ministère de l'intérieur*).

Copyright and the internet

Pursuant to law 2009-669 passed on June 12, 2009 promoting the distribution and protection of creative works on the Internet, a specific 'graduated response' system was introduced with the aim of limiting illegal downloads. An independent and autonomous body, *la Haute Autorité pour la Diffusion des œuvres et la Protection des Droits sur Internet* (the High Authority for the Distribution of Art Works and the Protection of Rights on the Internet), was set up to manage and transmit electronic messages to individuals engaging in the illegal downloading of online content. On October 28, 2009, law 2009-1311 was passed to supplement the 'graduated response' system by providing that in the event of repeat infringement, a judge may impose a fine or suspend the Internet access of the individual responsible for the illegal download. This latter sanction was nevertheless later repealed by decree 2013-596 of July 8, 2013.

Measures to modernize copyright rules (especially the Directive 2001/29/EC) in light of the digital revolution and new consumer behavior have been announced by the European Commission, as part of an ambitious legislative program to create a Digital Single Market. The "Digital Single Market Strategy for Europe", set out in the Commission Communication of May 6, 2015, outlined key areas for legislative action to create a more modern European copyright framework, and to improve access to digital content, as part of its pillar on "Better online access for consumers and businesses across Europe".

A first legislative proposal (proposition of Regulation of December 9, 2015) on cross-border portability of online content services aims at ensuring that consumers who buy or subscribe to films, sport broadcasts, music, e-books and games can access them when they travel in other EU countries. In 2016 more legislative proposals will follow, as set out in the Commission Communication.

Processing of personal data and privacy protection

The processing of personal data is governed by the law n° 78-17 of January 6, 1978, on information technology, files and individual freedom («Loi Informatiques et Libertés» or "1978 Law"). This law has been amended by the law no. 2004-801 of August 6, 2004, in order to transpose into French law two EU Directives:

- Directive 95/46/CE of October 24, 1995 on privacy protection regarding the processing of personal data and the free movement of such data, and
- certain provisions of Directive 2002/58/CE on Privacy and Electronic Communications.

In 2011, the 1978 Law was modified by ordinance 2011-1012 of August 24, 2011 on electronic communications in order to transpose the Directive 2009/136/CE.

The French Data Protection Regulation is governed by a European directive (Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data). This directive is going to be finally reviewed by the adoption of a new data protection regulation (General Data Protection Regulation n° 2011/011) which will come into force at the beginning of 2018. Additional national legislation, such as the law for a digital Republic, is currently being debated in the French parliament. On January 26, 2016, the National Assembly has just passed the bill. The bill should be reviewed in April 2016 by the Senate. It envisages:

- the creation of an open data policy for government data ;
- a right to data portability;
- payment by SMS;
- a limited right to maintain an internet connection households experiencing payment difficulties may receive financial assistance from a universal solidarity fund and their connection is to be maintained by their access provider while their assistance request is under examination.).

In the ordinary course of its business, the Group stores and processes personal data in accordance with applicable laws.

Article 34 bis of the 1978 Law obligates the provider of public electronic communication services (operators) to notify forthwith the French Data protection authority, (*Commision nationale de l'informatique et les des libertés, "CNIL*") of a breach of personal data. Operators must keep an updated record of all breaches of personal data (conditions, effects and remedial measures taken) and must make said record available to the Commission upon request.

The Group is required to retain certain data in compliance with a variety of laws and regulations. Accordingly, the Group may be required to relinquish information in its possession regarding the identity, location and connection information of a user to duly authorized judicial or administrative authorities. The information subject to mandatory relinquishment does not include the content of a user's communications or the information consulted by the user. The data categories falling within the scope of this requirement are set out by decree. These requirements were supplemented within the framework of law 2015-912 of July 24, 2015 on intelligence, which notably states that for the sole purpose of anti-terrorism, information or documents relating to an individual who has been pre-determined to pose a threat may be collected in real time on an operator's network.

In accordance with Articles L. 241-1 et seq. of the Internal Security code, the Group can also intercept electronic communications transmitted via its networks at the request of duly authorized judicial and administrative authorities. Upon authorization by the Prime Minister and in accordance with the principle of proportionality, law 2015-912 also enables authorities to use automated processing techniques for the detection of connections likely to reveal terrorist threats through the use if an operator's network (law no. 2015-912 replaced Articles L.246-1 and L.241-1 by Article 852-1 of the Internal Security code).

Additionally, operators are required to implement specific measures to protect their networks.

Article L33-1 of the CPCE obligate operators to notify security and integrity breaches of public electronic communications networks and services, to ARCEP.

Under articles D. 98-3 to D98-7 of the CPCE, operators:

- shall take all measures necessary to ensure the security of communications using their networks.
- shall take measures to protect its facilities, networks, and services against threats, risks from any cause.
- must be able to respond to the government's national defence requirements and to remedy the most serious consequences of failures or destructions of facilities.
- Must ensure secrecy of correspondence transmitted by means of telecommunications.

Directive NIS 2013/0027 « Network Security and Information », which should come into force in 2018, will impose new network and information security requirements on operators of essential services and digital service providers: they must take appropriate security measures to manage the risks posed to the network and information systems. They will be required to notify to the relevant authority, without undue delay, incidents having a significant impact on the continuity of the core services they provide.

Domain names

Law 2011-302 of March 22. 2011, as codified in Articles L. 45 et seq. of the CPCE, regulates the assignment and management of top-level domain names in France. The Group has registered a number of domain names in France that are considered to be assets. Courts have recently strengthened domain name protections by determining that a domain name may be protected as registered trademark.

The tax regime applicable to distributors of audiovisual services

Tax on television services

Since January 1, 2008, television broadcasters and TV service distributors have also been liable for service tax, irrespective of the electronic communication method used. Article 20 of the 2012 Amending Finance Law the scope of such tax to include electronic communications operators. Since January 14, 2014, the tax has been levied on revenues from income generated by users for TV services (with a 10% deduction) as well as income generated from the provision of public access to telephone services and online communication services where such services also enable the reception of television services (with a 66% deduction). The tax rate is progressive (from 0.5% for amounts between €10 and €250 million up to 3.5% for amounts above €750 million).

Turnover tax of electronic communications operators

Law 2009-258 of March 5, 2009 on audiovisual communication and the new public television service introduced a 0.9% tax levied on the portion of a telecommunications operator's turnover (excluding VAT) relating to electronic communication services above EUR 5,000,000. This tax became effective on March 7, 2009. The tax rate was raised to 1.3% in the 2016 via law 2015-1785 of December 29, 2015.

VAT arrangements applicable to TV services

Since January 1, 2015, in accordance with Article 54 of the Amending Finance Law for 2014 of December 29, 2014, the distributor of TV services that are included in a triple-play offering and for which distribution rights were obtained can apply a 10% mark-up per user to the price of services offered to account for the acquisition of such distribution rights.

Flat-rate tax on network businesses applied to radio stations

Article 1635-0d of the General Tax Code ("CGI") provides for a flat-rate tax on network businesses. Under Article 1519 H of the CGI, this tax also applies to radio stations requiring an opinion or agreement from, or disclosure to, the Agence nationale des fréquences (National Frequencies' Agency) in accordance with Article L. 43 of the CPCE.

Tax on sales and rentals of videograms for private use by the public

Article 1609o(B) of the CGI introduced a tax on sales and rentals of videograms for private use in France and in the French Overseas Territories . It is levied on the VAT-exclusive amount of the price paid by the customer and its legal base rate is set at 2% for general content and at 10% for adult content. The tax also applies to suppliers of on-demand video when such suppliers receive income for the provision of a video program to an end-user.

Taxes and fees required by the CPCE

- Fees for the use of radio frequencies: fees payable by mobile network operators for the use of radio frequencies are specified by the provisions of decree 2007-1532 of October 24, 2007, as amended. Such fees are comprised of a fixed portion and a variable portion, levied on the amount of revenue, and are calculated in accordance with the provisions of decree 2007-1532;
- Interference tax: pursuant to Article L. 43-I bis of the CPCE, operators are required to pay tax aimed at fully covering the costs incurred by the National Frequencies' Agency in collecting and processing the complaints of users regarding interference caused by radio stations in the 700 MHz and 800 MHz bands. The total amount of the tax to be collected is split, within the limit of EUR 2 million per year and per band, between the holders of usage rights in such frequency bands;
- Numbering tax: pursuant to Article L. 44-II of the CPCE, operators are required to pay tax related to the numbering resources assigned them by ARCEP;
- Contribution to the spectrum re-farming fund (fonds de réaménagement du spectre): Pursuant to Article L. 41-2 of the CPCE, mobile operators must contribute to the spectrum re-farming fund. Such contribution is aimed at fully covering the costs of the re-farming necessary for the provision and assignment of the frequencies as well as the costs incurred in frequency allocation undertaken by the National Frequency Agency in accordance with the provisions of Articles R. 20-44-6 and R. 20-44-7 of the CPCE; and
- The administrative taxes payable by operators to cover administrative costs resulting from the implementation of the provisions of the CPCE were repealed by Article 27 of finance law 2015-1785 of December 29, 2015.

Consolidation of France's electronic communications market

Commitments made by the Issuer to the French Competition Authority regarding its operations, market concentration and a follow-up of the commitments made in 2015

On October 30, 2014, the French Competition Authority authorized Altice, the parent company of the Group, to take exclusive control of SFR subject to certain conditions, as outlined in the Competition Authority's decision 14.DCC-160 of October 30, 2014. In accordance with the French Competition Authority's determination, the Issuer implemented measures to meet such conditions.

On January 22, 2015, the French Competition Authority, on its own initiative, decided to examine the method by which the Issuer implemented a price increase of its mobile services in La Réunion and Mayotte prior to selling the mobile operations of Outremer Télécom in these two French overseas islands. The hearing on this investigation was held on February 4, 2016 and the French Competition Authority's decision is pending.

Furthermore, on October 12, 2015, following a complaint by Bouygues Telecom, the French Competition Authority initiated a review of the means by which the Issuer met its commitments under the co-investment agreement entered into between the Issuer and Bouygues Telecom Télécom for the deployment of the fiber optic networks in densely populated regions.

These two investigations do not suggest that the French Competition Authority plans to undertake any further action, but sanctions could be pronounced against both Altice and the Group in both cases. If sanctions were to be pronounced, the companies would have the right to appeal them to the *Conseil d'Etat* (French administrative supreme court).

MANAGEMENT OF THE GROUP

This section includes information relating to the board of directors (the "Board of Directors") and management of the Issuer as of the date of this Offering Memorandum. The composition of the Board of Directors of the Issuer may change in the future.

The Issuer

The Issuer is a public limited liability company (*société anonyme*) with a Board of Directors (*Conseil d'administration*), incorporated under the laws of France, registered under sole registration number 794 661 470 RCS Paris and having its registered office at 1 square Béla Bartók, 75015, Paris, France.

Administrative and management bodies

Board of Directors

Name; business address; number of Issuer shares held	Age	Term of office expiry date	Primary position at the Issuer
Michel Combes 26 rue Santos Dumont, 75015 Paris Number of Issuer shares held: 100	53	Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2015	Chairman
Eric Denoyer 92 rue Tahere, 92210 Saint Cloud Number of Issuer shares held: 605,978	51	Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2017	Director
Jérémie Bonnin *Appointed by Altice* 3 boulevard Royal, L-2449 Luxembourg Number of Issuer shares held: 425(1)	41	Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2015	Director
Jean-Michel Hegesippe *Appointed by Altice* 109 rue du Faubourg Saint Honoré, 75008 Paris Number of Issuer shares held: 100	67	Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2015	Director
Luce Gendry 23 bis avenue de Messine, 75008 Paris Number of Issuer shares held: 100	65	Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2015	Independent Director
Bernard Attali 2 rue de Villersexel, 75007 Paris Number of Issuer shares held: 100	73	Ordinary Shareholders' Meeting called to adopt the accounts for the year ended December 31, 2016	Independent Director
Angélique Benetti *Appointed by Altice* Boulevard Saint Germain, 75006 Paris Number of Issuer shares held: 100	50	Ordinary Shareholders' Meeting called to adopt the accounts for the year ended December 31, 2017	Director

(1) Jérémie Bonnin also holds a marginal stake in Altice N.V.

The Board of Directors is staggered and is partially re-elected each year.

The expiry dates for the terms of office of the seven directors currently making up the Board of Directors are as follows:

(i) A first group consisting of three directors (Michel Combes, Eric Denoyer, who was co-opted for Dexter Goei's remaining term, and Angélique Benetti) was appointed for a term in office that will end upon conclusion of the Issuer's Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2017;

(ii) A second group consisting of three directors (Jérémie Bonnin, Jean-Michel Hégesippe and Luce Gendry) appointed for a term in office that will end upon conclusion of the Issuer's Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2015; and

(iii) A third group consisting of Bernard Attali, appointed for a term in office that will end upon conclusion of the Issuer's Ordinary Shareholders' Meeting held to approve the accounts for the year ended December 31, 2016.

During the year ended December 31, 2015, Vivendi's appointed directors (Jean René Fourtu and the Compagnie Financière du 42 avenue de Friedland) resigned following the SFR Acquisition, in addition to the resignation of Patrick Drahi. During the year ending December 31, 2015, Michel Combes joined the Board of Directors becoming Chairman, replacing Patrick Drahi.

Evaluation of Director Independence

The criteria of independence adopted by the Board of Directors are those set forth in the AFEP-MEDEF Code. The independence of directors was evaluated by the Board of Directors on March 4, 2015 and by the Nominating and Compensation Committee on March 2, 2015, in reference to the criteria set forth by the AFEP-MEDEF Code.

As a result of this analysis, the Board of Directors deemed that three directors (Luce Gendry, Bernard Attali and Colette Neuville) were independent in light of those criteria and that Luce Gendry and Colette Neuville met all of the independence criteria mentioned in the Nominating and Compensation Committee's internal regulations and in the AFEP-MEDEF Code.

Since Bernard Attali has ceased to exercise his functions as a director of TDF, the Board of Directors has decided, upon the recommendation from the Nominating and Compensation Committee, that the evaluation it made on the independence of Bernard Attali when he was appointed is still valid and that he must as a result be classed as an independent director.

Following the completion of Vivendi's share divestiture on May 6, 2015 and the resignation of Jean-René Fourtou and Stéphane Roussel from their respective offices as director, and the resignation of Colette Neuville as director at the beginning of 2016, among the Issuer's seven directors on the date of this Offering Memorandum, the Board of Directors consists of two independent directors.

Personal information of the members of the Board of Directors

Michel Combes, 53 years old, is the Chairman of the Board of Directors and has previously held the positions of CEO of Alcatel Lucent, CEO of Vodafone Europe and Chairman and CEO of TDF. He was also the CFO and Vice Chairman of France Télécom. Michel Combes has over 25 years' worth of experience in the telecommunications industry. He graduated from the *École Polytechnique* and the *Télécom ParisTech.* Michel Combes has been CEO of the Group since September 2015 and will continue as CEO until Michel Paulin's appointment takes effect. Michel Combes will remain as Chairman of the Board of Directors.

Eric Denoyer, 52 years old, is a Director of the Issuer and served as Chairman and CEO of the Issuer since its founding on August 2, 2013 until January 7, 2016. He also served as CEO of the Group from January 2011 until January 7, 2016. He served as CEO of the Completel wholesale market department from September 2008 to January 2011 and the CEO of Numericable from April 2005 to September 2008. He graduated from the *École Nationale Supérieure de Télécommunications de Paris* in 1988 and from the *École Polytechnique de Palaiseau* in 1986. Eric Denoyer will remain a Director of the Issuer and the Chairman's advisor until July 7, 2016.

Jérémie Bonnin, 41 years old, French, is responsible for corporate and business development activities and acts as the Secretary General of Altice. He joined Altice in 2005. Prior to joining Altice, he was Manager of the Transaction Services department at KPMG. He graduated from the *Institut d'Informatique d'Entreprise* in 1998 and obtained a Diploma in Accounting and Financial Studies (DECF) in 2000.

Jean-Michel Hégésippe, 67 years old, founded his own company, Infotel, in 1986. Based in the French Overseas Territories, Infotel provided transaction management services for the banking sector. In 1998, Infotel obtained a license to deploy its fixed telecommunication networks from the French regulatory authorities. From 1998 to 2004, Infotel, which became Outremer Télécom in 2000, developed telephone and DSL services. In 2013, Altice acquired control of this company, a quad-play fixed and mobile operator in French Overseas Territories. Jean-Michel Hégésippe is a computer science engineer and holds a Masters degree and a Masters of Advanced Studies degree in Information Technology from the *Université Paris VII*.

Luce Gendry, 66 years old, French, launched her career at the Générale Occidentale Group, a diversified Anglo-French group, between 1971 and 1990, in which she was successively Authorized Proxy (*Fondé de Pouvoirs*), Secretary General and CFO. She then joined the Bolloré group, between 1990 and 1993, as Joint Directorate-General in charge of Administration and Finances, before joining Rothschild bank, where she acted as Managing Partner until 2011, in the capacity as specialist mergers and acquisitions advisor. Luce Gendry is now the Senior Advisor at Rotschild & Cie Bank, the Chairman of the IDI supervisory board, the director of FFP (Peugeot family group), Nexity and INEA and the Chairperson of Cavamont Holdings Ltd. Luce Gendry graduated from the *École des Hautes Etudes Commerciales* (HEC) (JF) and is a Knight of the French National Order of the Legion of Honour.

Bernard Attali, 72 years old, French, is the CFO of Audière, a Senior Advisor for TPG Capital (San Francisco, London, Paris), member of the European Advisory Board of Bank of America Merrill Lynch (London, Paris), director of the French Investors Association for Growth, director of TDF, director of International Power plc, member of the European Advisor Board of Proudfoot and member of the Advisory Board of LEK. In the past, he notably acted as a director of Air Canada, Eurotunnel, Detroyant and Baccarat, as the CEO of the ARJIL Bank Managing Associates Board, president of the executive committee of IAYA, the Air France group, the GAN group and the Bank for French Industry, in addition to acting as director of CIC, BNP, Société Générale, the SNCF and La Poste and as the CFO of Club Méditerranée and the European Affairs advisor for the Commercial Union Group (London). He has likewise worked as a Professor at New York University and as a lecturer at Sciences Po, Dauphine and at the ENA, in addition to working as an auditor at the Court of Audit. Bernard Attali graduated from the *Institut d'Études Politiques de Paris* and the *École Nationale de l'Administration*. Moreover, Bernard Atali is the Honorary Chairman of Air France and a Commander of the French Legion of Honour, Commander of the French National Order of Merit and the holder of the Aeronautics Medal.

Angélique Benetti, 52 years old has been a member of the management committee since 2008. She joined the Group in 2003 and left in December 2015. She holds a Master's degree in public law.

Balance in the composition of the Board of Directors

Since the listing of its shares on Euronext Paris for trading, the Issuer has two independent members in accordance with the criteria it has adopted.

Balanced representation of male and female directors

The Board of Directors consists of seven members, two of whom are female (namely Luce Gendry and Angélique Benetti). This constitutes almost 30% of the directors. As a result, the Issuer is not compliant with the provisions of Law no. 2011-103 of January 27, 2011 on the balanced representation of females and males on the Board of Directors.

Executive Management

Separation of the roles of Chairman of the Board of Directors and CEO

The roles of Chairman of the Board of Directors and CEO were combined since the creation of the Issuer. However, these two roles have been separated since the SFR Acquisition, with Patrick Drahi acting as Chairman of the Board of Directors for a period of time corresponding to his term as a Director, followed by Eric Denoyer acting as CEO. In September 2015, Michel Combes was named Chairman of the Board of Directors (replacing Patrick Drahi) and Eric Denoyer continued to act as CEO.

On January 7, 2016, Eric Denoyer resigned as CEO and was replaced by Michel Combes, who provides provisional executive management of the Issuer until Michel Paulin's appointment takes effect. Eric Denoyer remains the Chairman's advisor until July 7, 2016.

The Board of Directors considers separation of the roles of Chairman of the Board of Directors and CEO as the most appropriate organizational choice for the Issuer and the Group. Indeed, it has enabled the CEO, in the period following the SFR Acquisition, to concentrate on the Group's strategic operational priorities, notably the integration of two groups, and is in line with the Group's growth. The current combination of Chairman of the Board of Directors and CEO in Michel Combes is a temporary measure following the retirement of Eric Denoyer and prior to the official appointment of the new CEO of the Issuer, Michel Paulin.

In accordance with the law, the Issuer statutes and the internal regulations of the Board of Directors, the Chairman of the Board of Directors oversees Board of Director meetings by organizing and directing work and meetings and ensures that the Issuer's different organs operate smoothly, particularly by ensuring that the directors are capable of performing their functions.

Executive Committee

Following certain changes introduced in January 2016, the Group's Executive Committee consists of the following persons:

- Michel Combes, as provisional CEO (replacing Eric Denoyer)
- The Commercial Department
    - Jean-Pascal Van Overbeke, Executive Consumer Director (replacing Eric Klipfel).
    - Eric Pradeau, Executive Operations Director
    - Guillaume de Lavallade, Executive Business Director (replacing Pascal Rialland)
- The Operations Department
    - Philippe Le May, Executive Network Director
    - Emeric Dont, Executive Process and Quality Service Director
    - Christophe Delaye, Executive Computer Systems Director (replacing Olivier Urcel)
- The Support Department
    - Thierry Lemaître, Executive Finance Director
    - Florence Cauvet, Executive Human Resources Director (replacing François Rubichon)
    - Régis Turrini, Secretary General
    - Jérôme Yomtov, Deputy Secretary General and Vice Chairman

Personal information of the Executive Committee members

Jean-Pascal Van Overbeke has over 20 years' worth of experience in the field of telecommunications, both in Belgium and internationally. After having co-founded a start-up specialized in marketing in 1990, he joined the operator Cellway in 1996, as both Head of Sales and Head of Marketing. The operator then merged with Mobistar, where Jean-Pascal Van Overbeke held various different roles before being appointed Head of Strategy and Transformation Programs. In 2005, he joined Orange UK in London as both Head of Marketing and Head of Distribution. In 2009, he joined the Maxis Communications Group, which is the leading mobile operator in Malaysia, as Head of Operations in Kuala Lumpur. He then joined the Indian subsidiary Aircel in New Delhi in 2012. In 2014, he became co-CEO of the mobile telephone and digital services group, Labara. Jean-Pascal Van Overbeke graduated from the University of Louvain and the Solvay Business School.

Guillaume de Lavallade began his career as a Pre-Sales GSM Engineer at Nortel Networks from 1997-1999. He then spent three years as a Strategy Consultant at Boston Consulting Group. In 2002, he was appointed Chairman of High-end TV Activity at Thomson, before embarking on a joint-venture alongside the Chinese Company TCL. He joined SFR in 2007 as Head of Network Marketing, then as Head of Product Marketing, before finally becoming the Head of B2B Client Relations. He graduated from *Supélec* and *Sciences Po* in Paris.

Eric Pradeau, 46 years old, French, joined the Group in 2000 and was appointed Chairman of the Group's Operations Department in December 2014. He graduated from the *École Nationale Supérieure de Mines* in Paris in 1993.

Philippe Le May, 47 years old, French, joined the Group in 2005 and was appointed the Group's Technical Director in December 2014. From 2006 to 2008, he was the head of the Numericable network. He graduated from the *École Nationale Supérieure de Télécommunications de Paris* in 1991.

Emeric Dont began his career in 1991 as a R&D Engineer at Matra Communication. He then joined Nortel Networks in 1998 as the Head of BTS Network Deployment. From 2002 to 2005, he was the Client Technical Manager, then the Head of Client Services at NC Numericable. Following the purchase by Altice, he worked as the Regional Director and Head of Client Operations at the Issuer, which roles were extended to cover the Group. Alongside his new roles, Emeric Dont acted as the Head of Processes at the Altice Group. He graduated from *ESME-Sudria*.

Christophe Delaye began his career working on major network projects with Thomson CSF (now known as THALES). He joined SFR in 1998. He held various positions in Network Management before becoming Network Director for the North and East Region. He then joined the information systems management team and became Director of Information Systems for the clients department. He was appointed as the Head of Sales in 2013. Christophe Delaye graduated from the *École Polytechnique* and from the *École Supérieure d'Électricité*.

Thierry Lemaître, 47 years old, French, joined the Group in 2010 and was appointed CFO in December 2014. Before joining the Group, he acted as CFO at Rentabiliweb from 2008 to 2010, and at Streamezzo from 2006 to 2008. From 1997 to 2006, Thierry Lemaître took on various roles within the Finance Télécom Group, acting as co-CFO in charge of controlling from 2000 to 2004, then as the CFO and Legal Director of Wanadoo from 2004 to 2006.

Florence Cauvet began her career in 1995 at SSII Electric Data Systems. In 1996, she joined France Télécom, where she took on various HR roles at various subsidiaries, before joining the R&D department as Head of Human Resources in 2002. In 2005, she joined AREVA as the Head of Company Relations at the La Hague site, then as the Head of Human Resources for chemistry and enrichment, before acting as the Director of French Human Resources as of 2012. Florence Cauvet joined the SFR group in 2014 as the Head of Company Affairs. Florence Cauvet holds an MAS in Company Law from *Université Paris II Panthéon-Assas* and a specialized post-graduate diploma in HR Management from the *Université Paris II*.

Régis Turrini, a lawyer at the Paris bar, began his career as counsel of the Administrative Court and Administrative Court of Appeal, before joining Cleary Gottlieb Steen & Hamilton (1989-1992) and then Jeantet & Associates (1992-1995) as a business lawyer. He joined Arjil & Associates Bank (part of the Lagardère group) in 1995 as management advisor, then as Manager, and finally, as of 2000, as Managing Partner. In 2003, he joined Vivendi as the Head of General Management, responsible for Mergers and Acquisitions, then as the Head of Strategy and Development. In 2014, Régis Turrini was appointed Head of the French State Holdings Agency (APE). Régis Turrini is a lawyer at the Paris Bar, and graduated from the Faculty of Literature and Law at the *Institut d'Études Politiques de Paris*. He is also a former student of the *École Nationale d'Administration*.

Jérôme Yomtov, 44 years old, French, joined the group in 2009 as the Group's Secretary General, a post which he held until 2015. In 2016, he was appointed as Delegate Secretary General and Director to the President of the Group. From 2007 to 2009, he was the Head of the Mergers and Acquisitions department at HSBC France. He graduated from the *École Nationale Supérieure des Télécommunications de Paris* in 1996 and from the *École Polytechnique* in 1994.

The Group's Executive Committee meets on a weekly basis to discuss the Group's operational and financial performance, in addition to exchanging details on strategic projects and the conduct of business.

Declaration on the members of the Board of Directors and on the CEO—Conflict of Interests

To the Issuer's knowledge, as of the date of this Offering Memorandum, there were no family links between the members of the Board of Directors and the CEO of the Issuer.

To the Issuer's knowledge, over the past five years: (i) no convictions for fraud have been pronounced against any of the abovementioned directors, (ii) none of the above mentioned directors have been linked to bankruptcy, receivership or liquidation, (iii) no accusations and/or official public sanctions have been pronounced against any of the abovementioned directors by the statutory or regulatory authorities (including designated professional bodies) and (iv) none of the abovementioned directors have been prohibited by the courts to act in the capacity of a member of an administrative, management or supervisory body for an Issuer, nor from being involved in the management conduct of an Issuer's business.

Conflict of interests

To the Issuer's knowledge, subject to the relationships described under "*Certain Relationships and Related Party Transactions*" of this Offering Memorandum, there are no potential conflicts of interest between the duties owed to the Issuer by the members of the Board of Directors, CEO and founders of the issuer, and their own private interests.

To the Issuer's knowledge, no other restrictions have been accepted by the members of the Board of Directors or the CEO with the exception of the rules on preventing insider trading and the guidelines set forth in the AFEP-MEDEF Code, which stipulates that the CEO must hold shares.

Interests and remunerations

Remuneration of non-executive members of the Board of Directors

The Issuer's Ordinary Shareholders' Meeting of October 21, 2013 set the total amount of attendance fees allocated to the Board of Directors at €180,000 per year, to be distributed among the independent members of the Board of Directors. This amount is to be renewed each year, unless a new Ordinary Shareholders' Meeting amends the annual amount in the future. Directors who are not independent directors will not receive any directors' fees.

The attendance fees paid to the independent Board of Director members are allocated as follows on an annual basis:

- An overall package of €40,000 per year is allocated to each of the independent Board of Directors members, where absence from a Board of Directors meeting will be sanctioned by a fine of €5,000;
- A remuneration of €18,000 per year is allocated for service as a member of the Audit Committee (€22,000 as Chairman), where absence from a meeting of the Committee will be sanctioned by a fine of €4,500 (or €5,000 as Chairman);
- A remuneration of €4,500 per year is allocated for service as a member of the Nominating and Compensation Committee (€11,000 as Chairman), where absence from a meeting of the Committee will be sanctioned by a forfeiture of this remuneration (or a fine of €5,000 as Chairman);

This overall package will continue to take effect each year, unless a new Ordinary Shareholders' Meeting decides to amend the amount corresponding to the overall attendance fees package paid to the Board of Directors in the future.

Moreover, the amount of attendance fees paid on an annual basis will be calculated pro-rata in the event of termination, for whatever reason, of the term in office of the independent Board of Directors member throughout the course of the year.

In principle, attendance fees are paid on a quarterly basis.

Attendance fees and other remuneration paid by the Issuer or by any other company within the Group to the non-executive directors of the Issuer represented €178,500 in 2015 and €219,009 in 2014.

Table showing the fees and other remuneration received by non-executive company officers

Non-executive officers	Amounts paid in year ended December 31, 2014		Amounts paid in year ended December 31, 2015	
	Attendance fees	Other compensation	Attendance fees	Other compensation
	(Amounts paid in euros)			
Marco de Benedetti(1)	0	0	0	0
Dexter Goei	0	0	0	0
Jérémie Bonnin	0	0	0	0
Max Aaron(2)	0	0	0	0
Jean-Michel Hégésippe(3)	0	0	0	0
Luce Gendry(4)	74,445	0	56,500	0
Oliver Huart(4)	54,934	0	0	0
Yaffa Nilly Sikorsky(4)	62,354	0	0	0
Bernard Attali(5)	27,276	0	64,000	0
Angélique Benetti(6) (7)	0	225,599	0	226,170
Jean-René Fourtou(6)	0	0	58,000	0
Stéphane Roussel(6)	0	0	0	0
Colette Neuville(6)	0	0	0	0
Patrick Drahi(8)	0	0	0	0
Michel Combes(9)	0	0	0	0
Total	**219,009**	**225,599**	**178,500**	**226,170**

(1) Marco de Benedetti was appointed by the Issuer's Ordinary Shareholders' Meeting on September 6, 2013 and resigned as director on February 14, 2014.

(2) Max Aaron was appointed by the Issuer's Ordinary Shareholders' Meeting on October 21, 2013 and took office on November 12, 2013, and resigned with effect from November 27, 2014.

(3) Jean-Michel Hégésippe was co-opted by the Board of Directors as director on February 14, 2014 to replace Marco de Bendetti. He resigned as director with effect from November 27, 2014 and was reappointed by the Issuer's Ordinary Shareholders' Meeting on the same day.

(4) The independent directors Luce Gendry, Olivier Huart and Yaffa Nilly Sikorsky were appointed by the Issuer's Ordinary Shareholders' Meeting with effect from November 12, 2013. Olivier Huart resigned as director of the Issuer with effect from May 20, 2014, and Yaffa Nilly Sikorsky resigned as director of the Issuer with effect from November 27, 2014.

(5) Bernard Attali,appointed by the Issuer's Ordinary Shareholders' Meeting on May 20, 2014 and is considered independent by the Issuer's Board of Directors.

(6) Angélique Benetti, Jean-Réne Fourtou, Stéphane Roussel and Colette Neuville were was appointed as a director by the Issuer's Ordinary Shareholders' Meeting held on November 27, 2014.

(7) This compensation was paid under the employment contract with Angélique Benetti.

(8) Patrick Drahi was appointed as director on November 27, 2014 and resigned on September 8, 2015.

(9) Michel Combes was co-opted by the Board of Directors as Chairman of the Board of Directors on September 8, 2015, replacing Patrick Drahi as he resigned.

Grant of stock options

During the meeting of October 28, 2014, the Board of Directors, after having notified the Nominating and Compensation Committee, decided to submit before the Ordinary Shareholders' Meeting on November 27, 2014, in particular on SFR shares contribution, a resolution to delegate the authority to the Board of Directors to grant stock or share purchase options to employees and officers, and the employees and officers of its eligible subsidiaries, with a limit of 1% of the share capital, without exceeding the 0.3% sub-ceiling of the share capital in respect of the allocations made in favor of corporate officers.

Based on this delegation of authority, an options plan was adopted following the completion of the SFR Acquisition.

Ten beneficiaries (including Eric Denoyer, who was then the CEO) were affected by this plan. The features of the plan are similar to those of current plans, notably:

(1) The plan prohibits beneficiaries from using hedging transactions covering the options thus granted;

(2) The exercise of such options is subject to several cumulative conditions:

Vesting period

- Fifty percent (50%) of the options granted to each beneficiary may be exercised as of the second anniversary of the grant date;
- Another twenty-five percent (25%) of the options may be exercised as of the third anniversary of the grant date; and
- The balance (25%) may be exercised as of the fourth anniversary of the grant date.

Performance conditions

The beginning of each period for the exercise of options will depend, according to the terms and conditions set forth by the Board of Directors, on the assessment of performance conditions, notably regarding the variable compensation for the categories of beneficiaries concerned.

Presence condition

The terms of the options require the continued employment of the beneficiary at the moment the options are exercised.

Nevertheless, in the event of a public offering of the Issuer's shares, it is stipulated that the beneficiaries will be legally entitled to exercise the options that have been granted to them, that have become exercisable solely because of their holding period (without applying the performance conditions). This will apply as of the opening date of the offering.

Duration of options

The options may be exercised over the eight year period as of the date on which they are granted.

The holding periods during which the exercise of option is prohibited are set forth in the Senior Issuer's Code of Stock Market Ethics, which was adopted by the Board of Directors.

Finally, the CEO is required to retain in registered form, at least 50% of the shares issued from the exercise of the remaining options, after selling the number of shares necessary to finance the exercise of options and the payment of tax, social contributions and expenses relating to the transaction, until the termination of his service.

Compensation paid by controlled companies or by the company controlling the Issuer, within the meaning of Article L. 233-16 of the Code of Commerce.

Compensation paid by companies controlling the Issuer does not compensate the offices held within or on behalf of the Group.

Remuneration of executive company officers

At its meeting held on September 8, 2015, the Board of Directors, upon recommendation from the Nominating and Compensation Committee, decided that Michel Combes, CEO of the Issuer, should not receive any compensation from the Issuer of any nature whatsoever for his duties as Chairman of the Board of Directors.

The remuneration terms and terms governing other benefits for Eric Denoyer for his term in office as the Issuer's CEO after the SFR Acquisition are set forth below.

Fixed compensation

For his term in office as CEO of the Issuer, Eric Denoyer received a gross fixed annual compensation amount of €400,000, payable monthly in arrears.

Variable compensation

Moreover, the Board of Directors awarded Eric Denoyer an additional variable compensation amount for his duties as CEO, payable on an annual basis, whereby this amount is determined by the Board of Directors in accordance with the performance criteria set before the end of the previous year. The maximum amount of variable compensation constituted 150% of the fixed compensation amount paid to Eric Denoyer for the year in question. In the year ended December 31, 2015, Eric Denoyer did not receive any variable compensation.

Retirement plan

Eric Denoyer did not benefit from a retirement plan.

Severance pay and non-competition allowance

Since his departure, Eric Denoyer has received compensation amounting to €2,000,000. Eric Denoyer was not bound by a non-competition clause and did not therefore receive compensation for this reason upon departure.

Other benefits

Eric Denoyer benefitted from a company car in the year 2015.

Stock-options and performance shares

For information on the features of the stock subscription plans put in place by the Issuer see "—*Grant of Stock Options*" above.

At its meeting on January 10, 2014, the Board of Directors of the Issuer decided, upon a proposal made by the Nominating and Compensation Committee, to pay Eric Denoyer, Chairman of the Board of Directors and CEO of the Issuer until November 27, 2014 and CEO after such date, the same amount of fixed compensation in the year ended December 31, 2015 as was paid in the year ended December 31, 2014. The methods for calculating variable compensation for the year ended December 31, 2014, with other aspects of his compensation as fixed by the Board of Directors on September 27, 2013, remained unchanged for the year ended December 31, 2015.

Exceptional compensation for the year ended December 31, 2015

At its meeting on November 27, 2014, upon recommendation from the Nominating and Compensation Committee, the Board of Directors decided to pay Eric Denoyer an exceptional premium of €1 million for the completion of the acquisition of SFR which was paid in 2015. For the year ended December 31, 2015, the Board of Directors upon recommendation from the Nominating and Compensation Committee decided, in January 2016, to pay Eric Denoyer an exceptional premium of €2 million for the year ended December 31, 2015.

The tables below show the amount of compensation paid to Eric Denoyer Chairman of the Board of Directors and CEO of the Issuer until November 27, 2014 and CEO of the Issuer after such date, by the Issuer and all companies within the Group, in 2014 and 2015:

Amounts due in euros	**Fiscal year 2014**	**Fiscal year 2015**
Compensation paid for fiscal year(1)	1,639,815.37	2,406,482.04
Valuation of the options granted throughout the course of the fiscal year(2)	4,438,737	0
Valuation of the performance shares granted throughout the course of the fiscal year(2)	0	0
Total	**6,078,552.37**	**2,406,482.04**

(1) Gross figures (before social contributions and taxes). Compensation paid consisted of:

	Fiscal year 2014		**Fiscal year 2015**	
(euros)	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation(1)	308,333.33	308,333.33	400,000.00	400,000.00
Variable compensation(2)	295,500.00(3)	37,565.00(4)	0	0
Exceptional compensation	1,000,000.00(5)	0	2,000,000.00	1,000,000.00
Directors' fees	—	—		
Benefits in kind(6)	6,482.04	6,482.04	6,482.04	6,482.04
Total	**1,639,815.37**	**352,380.37**	**2,406,482.04**	**1,406,482.04**

(2) Variable compensation subject to attaining the EBITDA-CAPEX budget and on revenue growth achieved throughout the year.

(3) This amount constitutes 90% of the 2014 objectives and was set by the Board of Directors on April 13, 2015.

(4) Balance of the compensation amount paid for 2013, which was paid in 2014.

(5) This exceptional compensation corresponds to the premium that the Board of Directors, at its meeting on November 27, 2014 and upon recommendation from the Nominating and Compensation Committee, decided to pay Eric Denoyer for the completion of the SFR Acquisition. This compensation was paid in 2015.

(6) Company car.

The table below details working contracts, additional retirement plans and indemnities received by Eric Denoyer:

Issuer directing officers	**Working contract**	**Additional retirement plan**	**Indemnities or benefits due or likely to be due by way of termination or amendment of functions**	**Indemnities received in relation to a non-competition clause**
Eric Denoyer Role: Chairman and CEO until November 27, 2013 and CEO thereafter	No(1)	No	No	No
Term of office began: August 2, 2013				
Term of office ended: January 7, 2016				

(1) Eric Denoyer was a salaried employee of Ypso France S.A.S until November 12, 2013 – the date upon which he resigned from this employment contract in order to conform to the recommendations of the AFEP-MEDEF Code.

Total amounts paid or determined by the company or its subsidiaries in pensions, retirement plans or other benefits

The Group accrued a total amount of €500,000 on December 31, 2015, for retirement compensation (general scheme) for members of the executive committee.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Group has entered into various agreements or transactions with its principal shareholder, Altice, and the companies that it controls from time to time and in the ordinary course of business. These agreements and transactions are carried out on arm's length terms and the Group believes that the terms of these agreements are no more favorable to the related parties and the Group's affiliates than what they would have been with disinterested third parties. See Note 32 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum.

Transactions with Entities Controlled by Altice

Le Câble and Outremer Télécom

NC Numericable and Completel provide Le Câble and Outremer Télécom audiovisual distribution support services , as well with handset equipment and IT interface services.

NC Numericable granted WSG S.A., MTVC S.A. and OMT Invest S.A.S. (subsidiaries of Altice Blue Two, itself an indirect subsidiary of Altice), a non-exclusive license for the use of the "Numericable" trademark in Guadeloupe, Martinique, Mayotte and Réunion in connection with manufacturing and/or sale of all products and supply of all services covered by the "Numericable" trademark. A license agreement for the use of the SFR trademark between SFR and these entities is under discussion.

Outremer Telecom and SFR provide each other services relating to the purchase and sale of international traffic, roaming as well as SMS interconnection services.

Jean-Michel Hégésippe represents Altice on the Bard of Directors of the Issuer. He is also a director at a number of other companies within the Altice Group. See "*Management of the Group—The Issuer—Board of Directors*".

Altice Luxembourg, Altice Hispaniola S.A., HOT Mobile Ltd., HOT Telecommunications Systems Ltd., Portugal Telecom, Wanachi, Auberimmo S.A.S

Altice Luxembourg S.A. Altice Luxembourg S.A. provides consulting services to the Group.

Coditel Holding S.A. NC Numericable provides Coditel Holding S.A. with support, telecommunication and television services. The Group provides Coditel Holding S.A. with (i) a user interface service for Coditel's set-top box needs, and (ii) international voice services. SFR and Coditel have also signed a license agreement for the use of the "SFR" trademark.

Altice Management Europe S.A. SFR is party to an agreement between Altice Management Europe S.A. and Vodafone. For more details, see section "*Material Agreements—Supply Agreements—Partnership Between SFR and Vodafone Sales & Services Limited*".

Altice Hispaniola S.A. SFR and Altice Hispaniola provide roaming and international voice services to each other.

HOT Mobile Ltd. and HOT Telecommunications Systems Ltd. SFR provides international voice services to HOT Mobile Ltd. SFR and HOT Mobile Ltd. provide roaming services to each other. In addition, certain members of the Group provide HOT Telecom LP with software and user interface license services.

Portugal Telecom. SFR and Meo S.A. provide roaming services to each other.

Wananchi. The Group provides user interface services to Wananchi.

Auberimmo. Completel S.A.S. leases certain infrastructures from Auberimmo.

Cabovisão—Televisão por Cabo, S.A. and ONI S.G.P.S, S.A.

The Group paid call termination commission on Cabovisão—Televisão por Cabo, S.A.'s ("Cabovisão") network for calls made by the Group's subscribers to subscribers of Cabovisão's network. The Group receives call termination commission for calls made by Cabovisão's network subscribers to the Group's subscribers. The Group also provides graphical user interface services to Cabovisão.

The Group provided call termination services to ONI S.G.P.S, S.A. ("ONI"). ONI and the Group provided international traffic purchase and sale services to each other.

On January 20, 2016, Altice disposed of Cabovisão and its subsidiaries (including ONI), in compliance with the conditions set by the European Commission for the approval of the acquisition by Altice, through its indirect subsidiaries, of PT Portugal S.G.P.S, S.A. and certain of its subsidiaries.

Altice Media Group

The Group provides (i) data and fixed voice services to NewscoGroup, and (ii), mobile voice services to the Groupe Express Roularta.

Ma Chaîne Sport S.A.S

NC Numericable, on October 24, 2013, signed a distribution and marketing contract with Ma Chaîne Sport S.A.S pursuant to which Ma Chaîne Sport S.A.S granted the NC Numericable, its affiliates and, under certain conditions, authorized third parties, a non-exclusive right to distribute and market in metropolitan France, the channels Ma Chaîne Sport ("MCS"), MSC Extrême, MCS Bien-Etre and MCS Tennis via digital TV, in SD and in HD on the xDSL, mobile and OTT networks for MCS Tennis and on the cable networks for the other channels. The contract was signed for a non-renewable term of five years starting January 1, 2013. SFR has been distributing the channel MCS Tennis since February 2013.

Newslux

Altice owns Newslux, the publisher of a 24-hour TV news channel "i24news". The Group distributes the channel as part of its offerings. Discussions on the contract between Newslux and the Group are currently taking place.

Altice Entertainment News & Sport

Altice owns Altice Picture and Altice Entertainment News & Sport ("AENS"). Altice Picture publishes a subscription-based VOD service known as "ZIVE" and sold its distribution rights in France to AENS. The Group has been distributing the ZIVE service since November 17, 2015. Discussions on the contract between AENS and the Group are currently taking place.

Transactions with Le Poste Telecom

We are party to an MVNO agreement with La Poste Telecom, in which the group holds 49% of the share capital.

Transactions with Vivendi

Prior to May 2015, Vivendi held 20% of the share capital of the Issuer. Follwing the purchase of the Issuer's shares held by Vivendi by Altice and the Issuer on May 6, 2015, Vivendi is no longer considered a related party to the Group.

Universal Music Group

Universal Music Group supplies SFR with a complete mobile customization service, notably allowing SFR subscribers to download ring tones for their mobile phones.

Wengo

SFR provides Wengo (a subsidiary of Vivendi) various telecommunication services (including call terminations, hosting, data and fiber services).

Canal+

The Group and Canal+ Group (a subsidiary of Vivendi) have signed several distribution agreements relating to audio-visual contents. The Group also purchased advertising spaces from Canal+ Régie through its media purchasing agencies. The Group provides telecoms services (data, mobile voice, fixed data, hosting and CRM) to the Canal+ Group.

Distribution of the Canal+ offers

On November 12, 2013, NC Numericable and Canal+ Group entered into an agrement relating to the distribution of Canal+ products on NC Numericable's cable networks, as amended on February 13, 2015. Pursuant to this agreement, Canal+ Group grants NC Numericable and some of its affiliates non-exclusive rights to distribute and market in metropolitan France, on the cable networks, the audio-visual services named the "Canal+ Channels" (i.e., the Canal+ channel in SD and HD and its associated multiplex versions, Canal+ Cinéma, Canal+ Sport, Canal+ Family, Canal+ Décalé, Canal+ Séries, and the associated catch-up TV service "Canal+ à la demande"), "Canal+ la chaine" (comprising the Canal+ channel only) and the Multisports option (comprising the channels Foot+, Rugby+ and Sport+). The contract, which came into force on January 1, 2012, expires on December 31, 2017 and is not automatically renewable.

On June 29, 2009, SFR and the Canal+ Group entered into an agreement, amended in January and thereafter in December 2011, setting forth the conditions under which SFR distributed "Les Chaines Canal+" and "Canal Sat". The agreement expired on December 31, 2014, and in its place, on November 21, 2014, SFR and Canal+ Group entered into a contract for the distribution of Canal+ services to SFR subscribers, amended by a supplemental agreement in February 2015. Under the terms of that contract, Canal+ Group grants SFR and its affiliates non-exclusive rights to distribute and market, in metropolitan France, the audio-visual services named the "Canal+ Channels" (i.e., the Canal+ channel in SD and HD and its associated multiplex versions, as well as the associated catch-up TV service "Canal+ à la demande"), "Canal+ la chaine" (comprising the Canal+ channel only), "CANAL SAT" and the associated catch-up service, the multi-sports option (comprising the channels Foot+, Rugby+ and Sport+). This contract, which came into force on January 1, 2015, is for a three-year term that expires on December 31, 2017. It is not automatically renewable.

Distribution of the theme channels produced and broadcasted by Canal+ Group

On May 19, 2009, NC Numericable and CANAL+ Group signed a contract regarding the distribution conditions of several theme channels produced by Canal+ Group (including TPS). This contract was subsequently amended. Under the terms of this agreement, Canal+ Group granted NC Numericable and some of its affiliates non-exclusive rights to distribute and market the theme channels in metropolitan France. The contract, which came into force on January 1, 2007, expired on December 31, 2011, but remains in force between the parties.

In November 2015 Canal+ informed NC Numericable it was planning to cease the distribution of some thematic channels on June 30, 2016 (namely Planète+, Planète+ Thalassa, Planète+ A&E, Comédie, Comédie+, Infosport+) and December 31, 2016 (for the channel Seasons). Following the Order of the Minister of Economy and Finance and Industry of August 30, 2006, authorizing the acquisition of TPS and Canal Satellite by Vivendi Universal and Canal+ Group, an order handed down after obtaining the opinion of the French Competition Authority on July 13, 2006 (06-A-13), Canal+ Group undertook to make available to third party audiovisual distributors certain theme television channels produced by them and considered as essential for pay-TV offerings.

SFR and Canal+ Group also signed several contracts in 2007 establishing the distribution conditions of these channels. These contracts have since expired, and SFR and Multithématiques (a subsidiary of Canal+ Group) signed the following new distribution contracts:

- A contract for the distribution of Ciné+ TV channels to audiovisual distributors using wired/cable and/or satellite networks in mainland France, entered into on March 17, 2014, concerning Ciné+ PREMIER, Ciné+ FRISSON, Ciné+ EMOTION, Ciné+ FAMIZ, Ciné+ CLASSIC, Ciné+ CLUB and Ciné+ STAR channels.
- Contract for the distribution of TV channel "Piwi+" to audio-visual distributors using wired networks, entered into on July 17, 2012 and amended by means amendments in 2014 and 2015.
- Contract for the distribution of TV channel "Teletoon+" to audio-visual distributors using wired networks, entered into on July 17, 2012 and amended by means of amendment in 2014 and 2015.

Under the terms of this contract, Multithématiques grants SFR and its affiliates non-exclusive rights to distribute and market the channels concerned in metropolitan France and, if applicable, the associated catch-up service. The Piwi+ and Teletoon+ contracts came into force on July 1, 2012 and are to expire on December 31, 2016. The Ciné+ contract came into force on March 17, 2014 and expires on July 23, 2017.

Distribution of Cine+ channels

On September 26, 2013, the Group entered into a contract with Canal+ Group pursuant to which Multithématiques, an affiliate of Canal+ France, granted the Group the non-exclusive right to disseminate and market certain television channels named Ciné+ in SD and/or HD version and recording television, where available. The contract expires in July 2017 and does not provide for an automatic renewal. The right to terminate the contract can be exercised with two months' notice (i) by the Group in the event of refusal by the Group of the financial conditions corresponding to the years 2014 to 2017, and (ii) by Multithématiques in the event that Canal+ should obtain the lifting of an order ruled by the French Competition Authority (Decision No. 12-DCC-100), forcing Canal+ Group to make available to all distributors so requesting, on a non-exclusive basis, all film channels produced and broadcast by the Canal+ Group, or as may be produced and broadcast by it (with the exception of the channels Canal+, Canal+ Sport, Canal+ Cinéma, Canal+ Décalé and Canal+ Family), and to maintain the quality of such unbundled channels.

Distribution of VOD offers

On April 25, 2007, NC Numericable signed a contract with Canal+ for the distribution of VOD offers. The contract, which came into force on June 1, 2007, expired on June 31, 2009, but remains in force between the parties. On June 1, 2011, SFR and CanalPlay Infinity (a subsidiary of Canal+ Group) signed a letter-agreement under which CanalPlay Infinity grants SFR the non-exclusive right to distribute and market in metropolitan France the "CanalPlay Infinity" VOD subscription service for viewing on several devices (TV, computer, phone and tablets). This letter-agreement came into force on June 1, 2011 and expires on December 31, 2017.

Moreover, on March 26, 2014, SFR and CanalPlay Infinity signed a "Swappable offer distribution agreement" under which CanalPlay Infinity grants SFR the non-exclusive right to distribute and market the "CanalPlay Infinity" VOD subscription service as part of a mobile offering named "les Extra" in metropolitan France which can be viewed on several devices (TV, computer, phone and tablets). The contract came into force on September 24, 2013 and expired on September 23, 2015.

TNT

NC Numericable distributes the free TNT channels produced by Canal+ Group (itélé, D8, D17). On April 2, 2014, SFR and Canal+ Group signed contracts under the terms of which Canal+ Group, through its subsidiaries D8 and D17, grants SFR the non-exclusive right to distribute and market the channels D8 and D17 in metropolitan France, on the networks used by SFR. These contracts expire on December 31, 2016.

SFR also distributes the channel itélé and discussions on the contract governing such distribution are currently in progress.

Satellite offer

SFR and Canal+ Group have signed two contracts allowing SFR to offer its subscribers a satellite television services. The contracts are:

- the "Service contract", signed on May 24, 2012, setting forth the conditions under which the Canal+ Group offers subscribers of satellite TV channels offered by SFR parabolic antenna installation services;
- the "Technical services contract on the provision of the TV signals broadcast by satellite on Astra 19°2 Est", signed on January 31, 2012 and setting forth the conditions under which Canal+ Group made available or transported the signals of the TV channels included in the satellite TV channels offered by SFR.

Since SFR ceased offering its subscribers the satellite televisions services constituting the subject matter of these contracts, SFR and the Canal+ Group agreed to terminate the contracts on June 30, 2015. On July 28, 2015, SFR and the Canal+ Group signed a Memorandum of Understanding setting forth the conditions under which SFR delegated to the Canal+ Group the right to offer to SFR subscribers, in its own name and on its own behalf, a satellite television service that could replace the service previously provided by SFR. This Memorandum of Understanding is set to expire on June 30, 2018.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of our key items of indebtedness. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Existing Notes

On May 8, 2014, the Issuer issued €7,873 million (equivalent) in aggregate principal amount of senior secured notes, comprised of the following tranches: (i) $2,400 million aggregate principal amount of its $4^7/_8$% Senior Secured Notes due 2019 denominated in U.S. dollars (the "Existing 2019 Notes"), (ii) $4,000 million aggregate principal amount of its 6% Senior Secured Notes due 2022 denominated in U.S. dollars (the "Existing 2022 Dollar Notes"), (iii) €1,000 million aggregate principal amount of its $5^3/_8$% Senior Secured Notes due 2022 denominated in euro (the "Existing 2022 Euro Notes" and, together with the Existing 2022 Dollar Notes, the "Existing 2022 Notes"), (iv) $1,375 million aggregate principal amount of its $6^1/_4$% Senior Secured Notes due 2024 denominated in U.S. dollars (the "Existing 2024 Dollar Notes"), and (v) €1,250 million aggregate principal amount of its $5^5/_8$% Senior Secured Notes due 2024 denominated in euro (the "Existing 2024 Euro Notes" and, together with the Existing 2024 Dollar Notes, "Existing 2024 Notes" and the Existing 2019 Notes, the Existing 2022 Notes and the Existing 2024 Notes collectively, the "Existing Notes"). The Existing 2019 Notes will mature on May 15, 2019 the Existing 2022 Notes will mature on May 15, 2022 and the Existing 2024 Notes will mature on May 15, 2024. Interest on the Existing Notes is payable semi-annually in cash in arrears on each February 15 and August 15. The Existing Notes are governed by indentures relating to each of the Existing 2019 Notes, the Existing 2022 Notes and the Existing 2024 Notes entered into on May 8, 2014, between, among others, the Issuer, as issuer and Deutsche Bank AG, London Branch, as trustee (collectively, and as amended, restated, supplemented or otherwise modified from time to time, the "Existing Notes Indentures").

The Existing Notes are general obligations of the Issuer and (i) 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 Existing Notes, including indebtedness under the Existing Term Loans, the Existing Revolving Credit Facilities Agreement and certain hedging obligations, (ii) 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 Existing Notes and (iii) will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Existing Notes, to the extent of the value of the property and assets securing such indebtedness.

The Existing Notes are guaranteed on a senior basis by each of Ypso France, Ypso Finance, NC Numericable, Altice B2B France, Completel, Numericable U.S. S.A.S., Numericable U.S. LLC and (other than with respect to the Existing 2022 Euro Notes and the Existing 2024 Notes) SFR.

The Existing Notes are secured by: (i) senior pledges over all of the capital stock of Ypso France, Ypso Finance, NC Numericable, Altice B2B France, Completel, Numericable U.S. S.A.S, Numericable U.S. LLC; (ii) certain intercompany loans; (iii) senior pledges over the business (*fonds de commerce*) of NC Numericable; (iv) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of Ypso France, Ypso Finance, NC Numericable, Altice B2B France, Completel, Numericable U.S. S.A.S, Numericable U.S. LLC and (v) certain bank accounts of the Issuer. Additionally, the Existing 2019 Notes and the Existing 2022 Dollar Notes benefit from senior pledges over the shares of SFR, a senior pledge over certain bank accounts of SFR and the intragroup loan between the Issuer and SFR which replaced, as part of the SFR Acquisition, the intragroup loans owed by SFR to Vivendi (the "SFR Intragroup Loans"); a senior pledge over the business (*fonds de commerce*) and intellectual property rights of SFR; and senior pledges over receivables owed to SFR by certain of its subsidiaries. The Existing 2022 Euro Notes and the Existing 2024 Notes benefit from senior pledges over the capital stock of SFR held by the Group and over the SFR Intragroup Loans (all such security described in this paragraph, the "Existing Collateral"). The Existing Collateral also secures indebtedness due under the Existing Term Loans Agreement, the Existing Revolving Credit Facilities Agreement and certain related hedging obligations and will also secure the Notes.

Under the terms of the Intercreditor Agreement (as described below), in the event of an enforcement of the Existing Collateral, holders of the Existing Notes will receive proceeds from such Existing

Collateral *pari passu* with the lenders under the Existing Term Loans, the lenders under the Existing Group Revolving Credit Facilities Agreement, counterparties to certain hedging agreements and the holders of the Notes.

Prior to May 15, 2016, the Issuer may redeem all or a portion of the Existing 2019 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 15, 2016, the Issuer may redeem all or part of the Existing 2019 Notes at the respective redemption price of 103.656%, 101.828% and 100.000%, in all cases, plus interest accrued and not paid and all additional amounts, if any, if the redemption occurs during the period of twelve months, respectively, from May 15, 2016, 2017, and 2018. In addition, prior to May 15, 2016, the Issuer may redeem up to 40% of each series of the aggregate principal amount of the Existing 2019 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 104.875% of the principal amount of the Existing 2019 Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the Existing 2019 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2017, the Issuer may redeem all or a portion of the Existing 2022 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 15, 2017, the Issuer may redeem all or part of the Existing 2022 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 15 of each year indicated below:

	Repurchase price	
Year	Existing 2022 Dollar Notes	Existing 2022 Euro Notes
2017	104.500%	104.031%
2018	103.000%	102.688%
2019	101.500%	101.344%
2020 and thereafter	100.000%	100.000%

In addition, prior to May 15, 2017, the Issuer may redeem up to 40% of each series of the aggregate principal amount of the Existing 2022 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 105.375% of the principal amount of the Existing 2022 Euro Notes and 106.00% of the principal amount of the Existing 2022 Dollar Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the Existing 2022 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2019, the Issuer may redeem all or a portion of the Existing 2024 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 15, 2019, the Issuer may redeem all or part of the Existing 2024 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 15 of each year indicated below:

	Repurchase price	
Year	Existing 2022 Dollar Notes	Existing 2022 Euro Notes
2019	103.125%	102.813%
2020	102.083%	101.875%
2021	101.042%	100.938%
2022 and thereafter	100.000%	100.000%

In addition, prior to May 15, 2017, the Issuer may redeem up to 40% of each series of the aggregate principal amount of the Existing 2024 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 105.625% of the principal amount of the Existing 2024 Euro Notes and 106.250% of the principal amount of the Existing 2024 Dollar Notes, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the Existing 2024 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

The Existing Notes Indentures permit the incurrence of indebtedness by the Issuer or a Guarantor of the Existing Notes so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0, and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Existing Notes Indentures permit the distribution of dividends and other restricted payments, so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Existing Notes until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the Existing Notes Indentures are permitted so long as the consolidated net leverage ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0. Further, subject to certain payment blocking events (i.e., a payment default or acceleration of Existing Notes), the Existing Notes Indentures permit the Issuer to pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by Altice Luxembourg S.A. for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while the Issuer is a public company, the Issuer will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of the Issuer at the time of its initial public offering and 5% of market capitalization at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of the Issuer is 4.0x or less.

The Existing Notes Indentures, among other things, further limit the ability of the Issuer and the ability of the Restricted Subsidiaries to (i) make investments or other restricted payments; (ii) create liens; (iii) sell assets and subsidiary stock; (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (v) engage in certain transactions with affiliates; (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances and (vii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The Existing Notes Indentures provide for certain events of default, including, among others, defaults under other debt instruments which (i) are 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) result in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Existing Notes Indentures are governed by the laws of the State of New York.

The Existing 2019 Notes will be refinanced with a portion of the proceeds of the Notes offered hereby. See "*Transactions*" and "*Use of Proceeds*".

Existing Term Loans

Overview

On May 8, 2014, the Issuer entered into a senior secured term loan credit facility which provided for euro and U.S. dollar term loans in aggregate principal amounts of €1,900 million and $2,600 million (the "Initial Term Loans"), with the Issuer, Ypso France S.A.S and Numericable U.S. LLC as borrowers (the "Existing Term Loans Borrowers"), certain lenders party thereto and Deutsche Bank AG, London Branch as administrative agent and as security agent (as amended, restated, supplemented or otherwise modified from time to time, the "Existing Term Loans Agreement"). On May 21, 2014, the following drawdowns were made under the Existing Term Loans Agreement: the Issuer borrowed €635 million, Numericable U.S. LLC borrowed US$2,600 million and Ypso France borrowed €1,265 million. The gross proceeds of the Existing Term Loans were used to finance the refinancing of certain indebtedness of the Group, pay certain related fees and expenses and the remainder was placed in escrow until completion of the SFR Acquisition, with such amounts being released from escrow on November 27, 2014. On July 20, 2015, the Issuer and certain of its subsidiaries entered into an incremental term loan agreement under the Existing Term Loans Agreement with various lenders, pursuant to which such lenders agreed to lend a new U.S. dollar denominated tranche of term loans in an aggregate principal amount of $550 million (the "USD Term Loan B5") and a new euro denominated tranche of term loans in an aggregate principal amount of €300 million (the "EUR Term Loan B5" and together with the USD Term Loan B5 the "July 2015 Incremental Term Loans"). On October 14, 2015, the Issuer and certain of its subsidiaries entered into an incremental term loan agreement under the Existing Term Loans Agreement with various lenders, pursuant to which such lenders agreed to lend a new U.S. dollar denominated tranche of term loans in an aggregate principal amount of $1,340 million (the "USD Term Loan B6") and a new euro denominated tranche of term loans in an aggregate principal amount of €500 million (the "EUR Term Loan B6" and together with the USD Term Loan B6, the "October 2015 Incremental Term Loans"). The October 2015 Incremental Term Loans, together with the July 2015 Incremental Term Loans and the Initial Term Loans are collectively referred to as the "Existing Term Loans".

The following table shows all tranches of the Existing Term Loans and balances outstanding as of December 31, 2015:

	Borrower	Maturity	Outstanding Drawing	Outstanding At December 31, 2015
			(in million)	
EUR Term Loan B1	Issuer	May 21, 2020	€ 475	€ 470
EUR Term Loan B2	Issuer	May 21, 2020	€ 160	€ 158
EUR Term Loan B4	Ypso France	May 21, 2020	€1,265	€1,252
EUR Term Loan B5	Issuer	July 31, 2022	€ 300	€ 300
EUR Term Loan B6	Issuer	February 10, 2023	€ 500	€ 500
USD Term Loan B1	Numericable U.S. LLC	May 21, 2020	$1,394	$1,380
USD Term Loan B2	Numericable U.S. LLC	May 21, 2020	$1,206	$1,194
USD Term Loan B5	Issuer	July 31, 2022	$ 550	$ 550
USD Term Loan B6	Issuer	February 10, 2023	$1,340	$1,340

Interest Rate and Fees

Borrowings under USD Term Loan B1 and USD Term Loan B2 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.75% plus (ii) a margin of 3.75%. Borrowings under USD Term Loan B5 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.75% plus (ii) a margin of 3.8125%. Borrowings under USD Term Loan B6 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.75% plus (ii) a margin of 4.0%.

Borrowings under EUR Term Loan B1, EUR Term Loan B2 and EUR Term Loan B4 bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR for the period of interest corresponding to the loans in question and (b) 0.75% plus (ii) a margin of 3.75%. Borrowings under EUR Term Loan B5 bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR for the period of interest corresponding to the loans in question and (b) 0.75% plus (ii) a margin of 3.8125%. Borrowings under EUR Term Loan B6 bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR for the period of interest corresponding to the loans in question, and (b) 0.75% plus (ii) a margin of 4.0%.

Mandatory Prepayments

The Existing Term Loans Agreement requires us to prepay outstanding term loans thereunder, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions, and (ii) 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than or equal to 4.0:1.0. We will not be required to make any such prepayments from the proceeds of asset sales made as a consequence of competition laws to the extent that such proceeds do not exceed 2% of the pro forma total assets of the Issuer and its Restricted Subsidiaries.

Voluntary Prepayments

The Initial Term Loans, the July 2015 Incremental Term Loans and the October 2015 Incremental Term Loans may be voluntarily prepaid at any time subject to customary “breakage” costs with respect to Eurodollar Loans. Further, voluntary prepayments of the October 2015 Incremental Term Loans on or prior to November 10, 2016, which are in connection with (x) a repricing transaction or (y) any amendment of the October 2015 Incremental Term Loans resulting in a repricing transaction, are subject to a call premium payable to the Administrative Agent on behalf of the lenders of, in the case of (x) 1% of the principal amount of the October 2015 Incremental Term Loans so repaid and in the case of (y) a payment equal to 1% of the aggregate amount of the October 2015 Incremental Term Loans subject to such repricing transaction.

Amortization and Final Maturity

The Issuer is required to make quarterly repayments of the principal amount outstanding under the Existing Term Loans according to an agreed timetable, with each payment being equal to 0.25% of the principal amount of Existing Term Loans, with payment of the balance due on May 21, 2020 with respect to the Initial Term Loans, July 31, 2022 with respect to the July 2015 Incremental Term Loan and February 10, 2023 with respect to the October 2015 Incremental Term Loan.

Guarantees

Each Guarantor of the Existing Notes and the Notes, and the Issuer, guarantees, or will guarantee, on a senior basis, the obligations of each other obligor under the Existing Term Loans Agreement and related finance documents subject to applicable guarantee limitations specified therein. The Issuer is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA and gross assets of the Issuer and its subsidiaries.

Security

The Existing Term Loans are secured by the same Existing Collateral securing the Existing Revolving Credit Facilities, the Existing Notes and that will secure the Notes.

Certain Covenants and Events of Default

The Existing Term Loans 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 Net Leverage Ratio or Consolidated Net Senior Secured 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 Existing Term Loans Agreement also contains certain customary representations and warranties, covenants and events of default (including, among others, an event of default upon a change of control trigger event). If an event of default occurs, the lenders under the Existing Term Loans will be entitled to take various actions, including the acceleration of amounts due under the Existing Term Loans and all actions permitted to be taken by a secured creditor, subject to the Intercreditor Agreement.

The Existing Term Loans Agreement permits the incurrence of indebtedness so long as the Consolidated Net Leverage Ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the Consolidated Net Senior Secured Leverage Ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 Consolidated Net Leverage Ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the Existing Term Loans Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Existing Notes until the most recently ended quarter, less 1.5 (or, in the case of the October 2015 Incremental Term Loans and July 2015 Incremental Term Loans, 1.4) times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Existing Term Loans Agreement are permitted so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and no default or event of default has occurred and is continuing.

The Existing Term Loans Agreement also provides that, for so long as no payment block events have occurred and are continuing, the Issuer may pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by Altice Luxembourg S.A. for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding, and while the Issuer is a public company, the Issuer is also permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of the Issuer at the time of its initial public offering and 5% of market capitalization at the time of the dividend (calculated based on the trailing 30-day arithmetic mean of the closing price in the shares of the Issuer), less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the Consolidated Net Leverage Ratio of the Issuer is 4.0x or less.

Existing Revolving Credit Facilities

The Issuer entered into a €750 million revolving credit facilities agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Existing Revolving Credit Facilities Agreement") on May 8, 2014, with, among others, certain lenders party thereto (the "Numericable RCF Lenders"), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch as facility agent and as security agent, pursuant to which the Numericable RCF Lenders agreed to provide the Issuer and certain of its subsidiaries, including SFR, with a €750 million senior secured revolving credit facilities (the "Existing Revolving Credit Facilities"), split into (i) a €300 million revolving facility (the "Existing Revolving Credit Facility A") available from May 21, 2014, and (ii) a €450 million revolving facility (the "Existing Revolving Credit Facility B") available from November 27, 2014. In 2015, the maximum amount of borrowings available under the Existing Revolving Credit Facilities Agreement was increased to €1,125 million. Subject to certain requirements, the Existing Revolving Credit Facilities may be utilized by way of cash drawings and guarantees. As of December 31, 2015, borrowings of €450 million had been drawn under the Existing Revolving Credit Facilities.

Limitations on Use of Funds

The Existing Revolving Credit Facilities are used by the Issuer and certain of its subsidiaries for general corporate and working capital purposes of the Issuer and its subsidiaries (excluding certain unrestricted subsidiaries) (the "Numericable Borrower Group").

Conditions to Borrowing

Drawdowns under the Existing Revolving Credit Facilities Agreement are subject to certain customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated net senior secured leverage ratio is not greater than the ratio specified in the Existing Revolving Credit Facilities Agreement.

Incremental Facility

Subject to the satisfaction of certain conditions set out in the Existing Revolving Credit Facilities Agreement, a new commitment lender (selected by the Issuer) may provide new or additional commitments under the Existing Revolving Credit Facilities Agreement.

Interest Periods, Interest Rates and Fees

The Issuer and certain of its subsidiaries are permitted to make a specified number of drawdowns under each of Existing Revolving Credit Facility A and Existing Revolving Credit Facility B for terms of one, two, three or six months (or any other period agreed by the Issuer and the facility agent), but no such period shall end beyond the final maturity date of the Existing Revolving Credit Facilities Agreement. Drawdowns under the Existing Revolving Credit Facilities must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the Existing Revolving Credit Facilities Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the Existing Revolving Credit Facilities Agreement is 3.25% per annum. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period).

Until one month prior to the final maturity date of the Existing Revolving Credit Facilities Agreement, , the Issuer is obligated to pay a commitment fee on the available but undrawn amounts under the Existing Revolving Credit Facilities Agreement at the rate of 40% of the margin calculated on undrawn and un-cancelled commitments.

Repayment

The final maturity date of the Existing Revolving Credit Facilities Agreement will be the earlier of (i) May 21, 2019 and (ii) the date on which the Existing Revolving Credit Facilities are fully repaid and cancelled.

Automatic Cancellation

Customary partial or total cancellation events apply to the Existing Revolving Credit Facilities Agreement, including where it becomes unlawful for any Numericable RCF Lender to fund, issue or maintain its participation in the Existing Revolving Credit Facilities Agreement.

Mandatory Prepayment

Upon the occurrence of a Change of Control Triggering Event, the Issuer and the other borrowers thereunder must repay the Existing Revolving Credit Facilities in full together with accrued interest and all other amounts accrued under related finance documents and the Existing Revolving Credit Facilities Agreement will be cancelled.

Certain excess proceeds received by the Issuer from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Existing Revolving Credit Facilities.

Guarantees

Each of the Guarantors of the Existing Notes and the Existing Term Loans (and that will Guarantee the Notes) also guarantee the obligations of each obligor under the Existing Revolving Credit Facilities Agreement and related finance documents subject to applicable guarantee limitations specified therein. The Issuer is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA and gross assets of the Issuer and its subsidiaries.

Security

The Existing Revolving Credit Facilities Agreement is secured by the Existing Collateral that secures the Existing Term Loans, the Existing Notes and that will secure the Notes.

Representations and Warranties

The Existing Revolving Credit Facilities Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Existing Revolving Credit Facilities Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the Existing Notes Indentures.

The Existing Revolving Credit Facilities Agreement also requires the Issuer and the Numericable Borrower Group to observe certain general undertakings subject to materiality and other customary and agreed exceptions. These general undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and 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) at least *pari passu* ranking of all payment obligations under the Existing Revolving Credit Facilities Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) maintenance and protection of intellectual property rights; (x) no amendments to constitutional documents that are likely to materially adversely affect the Existing Collateral; (xi) an Obligor not moving its center of main interest from, or having an "establishment" in any jurisdiction other than, its jurisdiction of incorporation; and (xii) restricting the making of proceeds drawn under the Existing Revolving Credit Facilities available to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

The Existing Revolving Credit Facilities Agreement requires the Issuer and the Numericable Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio of no more than 4.0 to 1.0 only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the Existing Revolving Credit Facilities Agreement at the end of each financial quarter. On October 16, 2015, the Issuer obtained the agreement of the lenders under the Existing Revolving Credit Facilities to increase the level of the Consolidated Net Senior Secured Leverage Ratio required to be maintained from 4.0 to 1.0 to 4.5 to 1.0, effective from October 16, 2015 up to and including December 31, 2016. The Consolidated Net Senior Secured Leverage Ratio required to be maintained reverts to its initial level of 4.0 to 1.0 on or after January 1, 2017.

The Existing Revolving Credit Facilities Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, will allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts; and/or (iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of collateral will be applied in accordance with the Intercreditor Agreement.

The Existing Revolving Credit Facilities Agreement permits the incurrence of indebtedness so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the Consolidated Net Senior Secured Leverage Ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 Consolidated Net Leverage Ratio (p*ro forma* for such transactions) and so long as there is no default or event of default outstanding, the Existing Revolving Credit Facilities Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Existing Notes until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Existing Revolving Credit Facilities Agreement are permitted so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and no default or event of default has occured and is continuing. The Existing Revolving Credit Facilities Agreement also provides that, for so long as no payment block events have occurred and are continuing, the Issuer may pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by Altice Luxembourg S.A. for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding, and while the Issuer is a public company, the Issuer is also permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of the Issuer at the time of its initial public offering and 5% of market capitalization at the time of the dividend (calculated based on the trailing 30-day arithmetic mean of the closing price in the shares of the Issuer), less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the Consolidated Net Leverage Ratio of the Issuer is 4.0x or less.

Intercreditor Agreement

To establish the relative rights of certain of our creditors, the obligors under the Existing Notes, the Existing Revolving Credit Facilities Agreement, the Existing Term Loans, certain other future indebtedness, including the Notes offered hereby, and certain counterparties to hedging obligations relating to the foregoing, entered into, and will accede thereto as applicable, an intercreditor agreement (the "Intercreditor Agreement"), dated May 8, 2014 with:

- the creditors of the Existing Revolving Credit Facilities (the "Existing RCF Creditors");
- the creditors of the Existing Term Loans (the "Existing TLB 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");
- any persons that accede to the Intercreditor Agreement under any future term facility or revolving credit facilities designated a senior bank facility (a "Senior Bank Facility") in accordance with the terms of the Intercreditor Agreement (the "Future Bank Creditors", together with the Existing RCF Creditors, the Existing TLB Creditors, the "Senior Bank Creditors");
- the trustee for the Existing Notes on its behalf and on behalf of the holders of the Existing Notes (the "Existing Notes Creditors");
- upon its accession, the Trustee for the Notes offered hereby, on its behalf and on behalf of the holders of the Notes (the "New Notes Creditors");
- any persons that accede to the Intercreditor Agreement as trustee for any future senior secured notes (the "Additional Senior Secured Notes") on its behalf and on behalf of the holders of such senior secured notes (the "Additional Senior Secured Notes Creditors" and, together with the New Notes Creditors" and the Existing Notes Creditors, the "Notes Creditors", and together with the Senior Bank Creditors and Hedging Banks, the "Senior Secured Creditors");
- any persons that accede to the Intercreditor Agreement as trustee for any future senior subordinated notes ("Senior Subordinated Notes") or under any future senior subordinated debt facility (together with any Senior Subordinated Notes, the "Senior Subordinated Debt"), in each case, on its own behalf and/or on behalf of the holders of such senior subordinated notes or the lenders of such senior subordinated debt facilities, as applicable (the "Senior Subordinated Creditors");
- certain intra group creditors (the "Intercompany Creditors");
- any persons that accede to the Intercreditor Agreement in their capacity as creditors of any shareholder debt (the "Shareholders" and together with Intercompany Creditors, the "Subordinated Creditors"); and
- Deutsche Bank AG, London Branch, as security agent for the Senior Secured Creditors (the "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. Any future indebtedness to be designated under the Intercreditor Agreement as ranking in respect of enforcement of the Security in priority to the liabilities owed to the Senior Secured Creditors (the "Super Priority Debt") may, however, only be a working capital facility or hedging indebtedness to the extent permitted (or not prohibited) by the terms of each finance document.

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 requisite majority of creditors of that class of debt (a "Relevant Majority"). Hedging Banks will vote together with the Senior Secured Creditors while any Senior Debt (as defined below) 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 and Hedging Debt has been discharged and while any Senior Secured Notes Debt (each as defined below) remains outstanding) the Senior Secured Notes Creditors, (ii) (while Senior Bank Debt (and/or Hedging Debt) remains outstanding) the Senior Creditors, and (iii) (if the Senior Secured Debt has been discharged and while the Senior Subordinated Notes Debt (each as defined below) remains outstanding) the Senior Subordinated Creditors.

By accepting a Note the relevant Noteholder 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. 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.

Ranking and 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") under or in respect of, amongst others, the Existing Revolving Credit Facilities Agreement (the "RCF Debt"), the Hedging Agreements (the "Hedging Debt"), any Senior Bank Facility (the "Future Bank Debt"), the Existing Term Loans (the "TLB Debt", together with the RCF Debt and any Future Bank Debt, the "Senior Bank Debt"), the Existing Notes, any Additional Senior Secured Notes, the Notes offered hereby (together with the Existing Notes and any Additional Senior Secured Notes, the "Senior Secured Notes Debt" and, together with the Hedging Debt and the Senior Bank Debt, the "Senior Debt"), the Senior Subordinated Debt (including the Senior Subordinated Notes (the "Senior Subordinated Notes Debt" and any other indebtedness designated as Senior Subordinated Debt in accordance with the terms of the Intercreditor Agreement)), liabilities owed by Holdco to any Senior Subordinated Creditor of any Senior Subordinated Notes (the "Senior Subordinated Notes Issuer Debt"), liabilities owed by the guarantors of any Senior Subordinated Notes to any Senior Subordinated Creditors of any Senior Subordinated Notes (the "Senior Subordinated Notes Guarantee Debt") and certain liabilities of members of the Group owed to Holdco (the "Holdco Debt") and certain other liabilities will rank in right and order of payment in the following order:

i. *first*, the Senior Debt, Senior Subordinated Notes Issuer Debt, and future permitted Senior Debt or Super Priority Debt and amounts due to any Notes Trustee or any security agent, *pari passu* without any preference among them;

ii. *second*, the Senior Subordinated Notes Guarantee Debt, Holdco Debt and future permitted Senior Subordinated Debt, *pari passu* without any preference among them;

iii. *third*, the intercompany debt, *pari passu*, without any preference among them; and

iv. *fourth*, the shareholder debt.

Priority of Security

The Intercreditor Agreement provides that the Security provided by the Obligors (and any other parties) for the Senior Debt and any future permitted Super Priority Debt (together, the "Senior Secured Debt"), the Senior Subordinated Debt, the Senior Subordinated Notes Guarantee Debt and the Senior Subordinated Notes Issuer 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 amounts due to the Trustee, *pari passu* and without any Preference between them); and

ii. *secondly*, the Senior Subordinated Debt, the Senior Subordinated Notes Guarantee Debt and the Subordinated Notes Issuer Debt.

Restrictions

Subject to certain limited exceptions and subject to, *inter alia*, the provisions set forth under the captions "*—Permitted Payments*" and "*—Restrictions on Enforcement*", while any Senior Secured Debt is outstanding, the Intercreditor Agreement restricts:

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any debt owed to the Senior Subordinated Creditors, Holdco, and the intercompany creditors and shareholders (the "Subordinated Debt"), unless not prohibited by the documents governing the Senior Secured Debt;
- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Debt or the Holdco Debt or any Subordinated Debt, or otherwise to provide financial support in relation to such liabilities, except for any Senior Subordinated Notes

Guarantee Debt in connection with any such payment or acquisition of any Senior Subordinated Notes Debt by the issuer of the Senior Subordinated Debt (the "Senior Subordinated Notes Issuer").

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 Debt or the Subordinated Debt except (in respect of the Senior Subordinated Debt) for security that is permitted under documents governing the Senior Secured Debt 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 (if applicable) 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 Senior Debt is outstanding and prior to the incurrence of any Super Priority Debt or after the discharge of any Super Priority Debt, any amounts payable in respect of such Senior Debt at any time, provided that no such payment may be made by the relevant Obligor or received by a Senior Secured Creditor following the occurrence of an acceleration of any of the Senior Debt, other than any payments distributed in accordance with the terms of the Intercreditor Agreement and as described under "—*Application of Proceeds*";
2. while any Senior Debt is outstanding, any amounts under the intercompany debt and the shareholder debt if:
    a. the payment is permitted or not prohibited under the terms of any documents governing the Senior Secured Debt and/or the Senior Subordinated Notes Debt; and
    b. in relation to an intercompany debt to a non-Obligor and any shareholder debt, no enforcement trigger event is outstanding; or
    c. with the consent of each of:
        i. (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of the Senior Bank Creditors;
        ii. (while any Senior Secured Notes Debt is outstanding and only to the extent prohibited under their respective 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
        iii. (while any Senior Subordinated Debt is outstanding), the Representative representing the Relevant Majority of Senior Subordinated Creditors; and

Enforcement Instructions

No Senior Secured 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 the Representatives of the Instructing Group or by the Relevant Majority of Super Priority 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 has not received security and/or indemnity to its satisfaction from the relevant creditors.

Release of Security and Guarantees

If a disposal of an asset owned by an Obligor is made to a person or persons outside the Group and either (i) the disposal is not permitted or prohibited by the underlying finance documents, or (ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the 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 the Security Agent is authorized to release any Security and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal applied in accordance with the relevant finance document and with the Intercreditor Agreement.

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: (i) 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 (ii) 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 provides that if any Senior Secured Creditor or (where applicable as a result of a judicial foreclosure or other similar sale of assets of an Obligor upon enforcement) any special purpose vehicle acquiring or holding assets on behalf of Senior Creditors, Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment of any Senior Secured Debt, Senior Subordinated 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 otherwise in accordance with the loss sharing provisions of the Intercreditor Agreement.

If the Security Agent is not entitled for reasons of applicable law, to pay any proceeds of enforcement to the relevant Representatives, but can distribute such amounts to Secured Creditors who are subordinated in accordance with the terms of the Intercreditor Agreement , such Secured Creditors shall make such payments as required to place all Secured Creditors in the position they would have been in had such amounts been applied in accordance with the order of priority set out under "*—Application of Proceeds*".

Subordination on Insolvency

After the occurrence of an insolvency event in relation to any Obligor (the "Insolvent Obligor"), the shareholder debt and (unless otherwise required by the Representatives of the Instructing Group or the Relevant Majority of Super Priority Creditors) the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Secured Debt owed by such Insolvent Obligor.

If any Obligor commences a case under the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., as amended (the "U.S. Bankruptcy Code") (a "U.S. Insolvency Proceeding"), the Intercreditor Agreement provides that it shall be effective during the U.S. Insolvency Proceeding of any such Obligor and the relative rights as to the Security and proceeds thereof shall continue on the same basis as prior to the date of the petition. Under any such U.S. Insolvency Proceeding consent for the provision of any debtor-in-possession financing under section 364 of the U.S. Bankruptcy Code that is secured by liens senior to or *pari passu* with the liens securing the Senior Debt or to the use of cash collateral under section 363 of the U.S. Bankruptcy Code shall only require the consent of the majority of the Senior Creditors. Notwithstanding anything to the contrary in the Intercreditor Agreement, that agreement provides that the parties to the Intercreditor Agreement shall retain all rights to vote to accept or reject any plan of reorganization, composition, arrangement or liquidation in connection with any U.S. Insolvency Proceeding. In the event of a U.S. Insolvency Proceeding, the provisions of the Intercreditor Agreement will be subject to interpretation and enforcement by the United States Bankruptcy Court with jurisdiction over the U.S. Insolvency Proceeding and to the provisions of the U.S. Bankruptcy Code.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of the Representatives of the Instructing Group or the Relevant Majority of Super Priority Creditors) 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 Notes Debt.

If the Security Agent is not entitled or does not take any of the actions referred to above, the representatives of Senior Subordinated Debt, the Senior Subordinated Creditors 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) with prior security or preferential claims, all amounts from time to time received pursuant to the provisions described under "—*Turnover*" or otherwise recovered by the Security Agent (or any other creditors), (i) pursuant to the terms of any relevant finance document, or (ii) 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 Debt, 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 shall be held by the Security Agent on trust for the Secured Creditors or (in the case of a foreclosure over the assets of any Obligor) for the Secured Creditors in their capacity as holders of the secured assets (each a "Foreclosed Assets Holder") ("Enforcement Proceeds") to apply them at any time as the Security Agent sees fit, and to the extent permitted by law, in the following order:

- first, in payment of the following amounts in the following order of priority: (i) *pari passu* and *pro rata* to the Security Agent and thereafter to any Notes Trustee in respect of any amounts due to each such party, and (ii) *pari passu* and *pro rata* to each representative of Super Priority Debt (if any), Senior Bank Debt, Senior Secured Notes Debt and Senior Subordinated Debt (if any) 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 Super Priority Creditor and each Senior Creditor in connection with such enforcement;
- third, in payment *pari passu* and pro rata to any Foreclosed Assets Holder in an amount equal to the amount of its tax liabilities arising from the relevant foreclosure proceedings and holding of the applicable assets;
- fourth, in payment *pari passu* and pro rata to the representative of the Super Priority Debt and the Hedging Banks (to the extent any Super Priority Debt may be owed to them) for application towards the balance of the Super Priority Debt (if any);
- fifth, in payment *pari passu* and pro rata to any Foreclosed Assets Holder which has paid *Soulte* (being the amount by which the value of the foreclosed assets exceeds the obligations discharged as a result of the foreclosure) in an amount equal to the *Soulte* paid by it;

- sixth, in payment *pari passu* and pro rata to each representative of Senior Debt and the Hedging Banks for application towards (i) Senior Bank Debt, (ii) Senior Secured Notes Debt, and (iii) the Hedging Debt;
- seventh, (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;
- eighth, (only to the extent secured) in payment *pari passu* and pro rata to each Senior Subordinated Creditor towards the balance of the Senior Subordinated Debt;
- ninth, if a foreclosure has occurred whilst no Senior Secured Debt is outstanding, to any Obligor or Subordinated Creditor to which a *Soulte* has been paid or remains payable, in payment or distribution in an amount equal to such *Soulte*; and
- tenth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

If the application of any enforcement proceeds or recoveries (the "Relevant Proceeds") applied in accordance with the foregoing is made in or towards the discharge of any one or more categories of debt and would result in or have the effect of an unlawful payment or discharge then: (i) those Relevant Proceeds will be applied in or towards the discharge in full only of any such debt (but subject at all times to the other provisions of the Intercreditor Agreement) guaranteed or secured by the rights the enforcement or realization of which gave rise to the Relevant Proceeds; and (ii) those Relevant Proceeds will only be applied in or towards discharge of any such debt the discharge of which would not result in or have the effect of an unlawful payment or discharge, and thereafter as described under "*—Turnover*".

Equalization of the Senior Secured Creditors

The Intercreditor Agreement provides that if prior to the incurrence of any Super Priority Debt or after the discharge of all Super Priority Debt, for any reason, any Senior Debt remains unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors at the enforcement date, the Senior Secured Creditors (subject, in the case of amounts owing to the trustees, to the terms of the Intercreditor Agreement) will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

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 if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of Security is distributed.

The Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Intercreditor Agreement and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Senior Subordinated Creditors, the Super Priority Creditors, the Security Agent and the Issuer), the Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Secured Notes Creditors and the Majority Senior Subordinated Creditors (as each such term is defined in the Intercreditor Agreement), the Issuer and the Security Agent.

Notwithstanding any other provision of the Intercreditor Agreement, if at any time a member of the Group wishes to incur additional debt which is permitted or not prohibited by the Intercreditor Agreement and each other finance document in force at such time, to be incurred and to have the benefit of the Intercreditor Agreement (including, as applicable, to share in the Security and/or rank behind either or all of the liabilities owed by any Obligor under any finance document (the "Existing Liabilities") and/or to share in any Security behind such Existing Liabilities) the Issuer and the Security Agent may enter into such amendments, changes and other modifications (including, but not limited to, providing for the accession of further creditors or their representatives under the Intercreditor Agreement) to the Intercreditor Agreement as may be necessary or appropriate to accommodate the terms of, and (if applicable) any guarantees and any security provided in respect of, any such additional debt so as to ensure that such additional debt may benefit from the Intercreditor Agreement. Such changes shall be binding on all parties to the Intercreditor Agreement (without requiring the consent of any Representative or other party) provided that no additional obligations, other than those set forth in the Intercreditor Agreement, may be imposed on any Representative without its consent. The Security Agent shall promptly provide a copy of any such amendments, changes or other modifications made to the Intercreditor Agreement in accordance to each Representative.

Perpetual Subordinated Notes

In 2006, one of the subsidiaries of the Group, NC Numericable issued perpetual subordinated notes (the "Perpetual Subordinated Notes") for the benefit of Vilorex, a subsidiary of GDF SUEZ. The proceeds of the Perpetual Subordinated Notes have been allocated to the funding of the construction of connectors in cities in the southern part of SIPPEREC (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Perpetual Subordinated Notes bear interest at an annual rate of 7%. The interest on the Perpetual Subordinated Notes is capitalized. As of December 31, 2015, total financial liabilities, including interest, under the Perpetual Subordinated notes amounted to €43 million. The Perpetual Subordinated Notes have been issued for an indefinite period and are repayable either in the case of liquidation or dissolution of NC Numericable, or when NC Numericable reaches a certain level of turnover generated by the customers covered by the connectors. These trigger thresholds have not been attained since the date of the issuance of Perpetual Subordinated Notes. NC Numericable may choose to pay in advance all or part of the Perpetual Subordinated Notes upon ten days' notice.

Security Deposits Received from Subscribers

Security deposits received from subscribers amounted to €135 million, €86 million and €52 million as of December 31, 2015, 2014 and 2013 respectively. These deposits are made when subscribers receive equipment from the Group. The increase in security deposits received is mainly attributable to the growth in our very-high-speed broadband subscriber through the migration of SFR's DSL subscribers toward our very-high-speed broadband offers which require more expensive set-top boxes and customer premises equipment, which cause higher guarantee deposits from the subscribers. Therefore, as of December 31, 2014, guarantee deposits made by subscribers of SFR amounted to €26 million, while as of December 31, 2015, these deposits amounted to €66 million. The guarantee deposits made by non-SFR subscribers have also increased from €59 million as of December 31, 2014 to €68 million as of December 31, 2015, due to an increasing very-high-speed broadband subscriber base. The subscribers' deposits are reimbursed upon cancellation of their subscription, on the condition of subscribers having paid outstanding invoices and returning the equipment. The guarantee deposits are recorded in the balance sheet as long-term debt.

Finance Leases and Leases

Several companies of the Group have entered into contracts of finance leases on real estate properties (usually for periods of 20 to 30 years), office equipment (mainly for periods of four years) and technical equipment. All of our lease contracts are denominated in euros. Some real estate leases provide that at the beginning of the rental period annual rents will be fixed but will subsequently become linked to an index based on the rate of inflation (corresponding to a specific percentage increase).

As of December 31, 2015, the commitments of the Group (the current value of minimum rents) under finance leases amounted to €66 million, compared to €69 million as of December 31, 2014, and €41 million as of December 31, 2013. This decline corresponds to the constant repayment of finance leases over the relevant periods.

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 to the same term used in other sections of this Offering Memorandum. For purposes of this "Description of Notes", references to the "Issuer" refer only to Numericable-SFR S.A.

Numericable-SFR S.A., a public limited liability company (*société anonyme*) incorporated in France, with registered office at 1 square Béla Bartók, 75015 Paris, France (the "*Issuer*"), will be the issuer of the Notes offered hereby.

The Issuer will issue $ million aggregate principal amount of its % Senior Secured Notes due 2026 (the "*Notes*") under an indenture (the "*Indenture*") between, *inter alios*, itself and Deutsche Bank Trust Company Americas, as trustee (the "*Trustee*") and Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*"). The Notes will be issued in a private transaction that is not subject to the registration requirements of the Securities Act.

The Issuer will use the net proceeds of the Notes as described in this Offering Memorandum under "*The Transactions*" and "*Use of Proceeds*".

The Indenture will be unlimited in aggregate principal amount and $ million aggregate principal amount of Notes will be issued in this offering. The Issuer may issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the "*Additional Notes*"); *provided*, *however*, that the Issuer will only be permitted to issue the 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*"). 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 Indenture will not be qualified under, or incorporate by reference any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

This "*Description of Notes*" is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture, the forms of Notes, the Intercreditor Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement are available as set forth under "Available Information". See the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*" for a summary of certain material terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as the owner of such Note for all purposes. Only registered holders will have rights under the Indenture.

General

The Notes

The Notes will:

- be general obligations of the Issuer;
- benefit from the security as set forth below under "*—Notes Security*";
- be guaranteed by the Initial Guarantors;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Existing Notes, the Senior Credit Facility, the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and

- be structurally subordinated to the Indebtedness and the other obligations of Subsidiaries of the Issuer that do not Guarantee the Notes.

Principal and Maturity

The Issuer will issue $ million aggregate principal amount of Notes on the Issue Date. The Notes will mature on , 2026 at which time 100% of the principal amount of the Notes shall be payable, unless redeemed prior thereto as described herein.

The Issuer may issue an unlimited principal amount of Additional Notes; provided, however, that the Issuer 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 and, if issued, any Additional Notes, will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture. However, in order for any Additional Notes to have the same CUSIP number and ISIN as the Notes, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes.

The Notes will be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate of % 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 and , commencing on ;
- be payable to the holder of record of such Notes on and immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that payments on the Global Notes (as defined below) will be made to Cede & Co. as the registered holder of the Global Notes which will in turn make such payments to DTC or its nominee.

Principal, interest and premium, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in New York, New York and London, United Kingdom. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agents and Registrars for the Notes*".

Paying Agents and Registrars for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in New York, New York. The initial Paying Agent will be Deutsche Bank Trust Company Americas (collectively with any other paying agents, the "*Paying Agents*").

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The initial Registrar will be Deutsche Bank Trust Company Americas. The Issuer will also maintain one or more transfer agents (each, a "*Transfer Agent*"). The initial Transfer Agent will be Deutsche Bank Trust Company Americas. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and will facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations 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 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 will be 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 will, on the Issue Date, be deposited with a custodian for The Depository Trust Company ("*DTC*") and registered in the name of Cede & Co., as nominee of DTC.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "*Regulation S Global Notes*" and together with the 144A Global Notes, the "*Global Notes*").
- During the 40-day "distribution compliance period" (as such term is defined in Rule 902 of Regulation S under the Securities Act), the Regulation S Global Notes will initially be credited within DTC for the accounts of Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, société anonyme ("*Clearstream*"). After the 40 day distribution compliance period ends, investors may also hold their interests in the applicable permanent Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Notes may be (1) held only through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A. Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Book-Entry Interests between participants in DTC will be effected by DTC, pursuant to customary procedures and subject to the applicable rules and procedures established by DTC and its participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the applicable 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 applicable Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of $200,000 principal amount and integral multiples of $1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrars will be entitled to treat the registered holder of a Note as the owner of it for all purposes.

The Note Guarantees

General

Subject to the following paragraph, on the Issue Date, the Notes will be guaranteed (each such guarantee, an "*Initial Guarantee*") by the Initial Guarantors. Due to certain restrictions under Luxembourg and French laws related to financial assistance and/or corporate benefit, the guarantees of the Guarantors will be limited.

Each applicable Note Guarantee of Notes will:

- be a general obligation of the relevant Guarantor;
- rank *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor's Note Guarantee, including such Guarantor's Guarantee of Indebtedness under the Existing Notes, Senior Credit Facility, the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to all existing and future obligations of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- benefit from the security as set forth below under "*—Notes Security*";
- be effectively subordinated to all existing and future Indebtedness of that Guarantor that is secured by liens on property or assets that do not secure that Guarantor's guarantee, to the extent of the value of the property or assets securing such Indebtedness; and
- be effectively subordinated to the Indebtedness and other obligations of Subsidiaries of the Issuer that do not Guarantee the Notes.

Each Note Guarantee shall be granted on a senior basis for the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes so Guaranteed, whether for payment of principal of or interest on or in respect of such Notes, fees, expenses, indemnification or otherwise, *provided* that 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—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions*".

The maximum liability of any Guarantor incorporated in France under its Note Guarantee may be limited as specified in the Offering Memorandum in accordance with the requirements of French law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions—France*".

As of December 31, 2015, on an as-adjusted consolidated basis after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds therefrom as described under "*Use of Proceeds*" elsewhere in this Offering Memorandum, the Issuer and its Restricted Subsidiaries would have had outstanding €16,908 million equivalent aggregate principal amount of Indebtedness (without giving effect to the currency impact of certain derivative instruments with respect to the Issuer's existing indebtedness). The Indenture will permit the Issuer and the Restricted Subsidiaries to incur additional Indebtedness in the future. For the year ended December 31, 2015, the Issuer and the Initial Guarantors represented 88% of the Issuer's consolidated revenues and 92% of Issuer's consolidated EBITDA. As of December 31, 2015, the Issuer and the Initial Guarantors represented 99% of the Issuer's consolidated total assets.

The Issuer and certain of the Guarantors are holding companies and do not conduct any operations and are wholly dependent on payments from their respective Subsidiaries to meet their obligations, including under the Notes and Note Guarantee to which it is a party. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and certain 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 Notes and Guarantees*."

The Notes and the Note Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Subsidiaries of the Issuer that do not Guarantee the Notes. Any right of the Issuer or any Guarantor to receive assets of any of the Subsidiaries of the Issuer that do not Guarantee the Notes upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinate in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or such Guarantor.

Additional Note Guarantees

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (each, an "*Additional Guarantor*") by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with the Guarantors and each other Additional Guarantor, irrevocably guarantee (each guarantee, an "*Additional Guarantee*") on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Guarantor will be contractually limited under its Additional Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. The maximum liability of any Additional Guarantor incorporated in France under its Additional Guarantee may be limited as specified in the Offering Memorandum in accordance with the requirements of French law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions—France*". For purposes of the Indenture and this "*Description of Notes*", references to the Note Guarantees include references to the Initial Guarantees and any Additional Guarantees and references to the Guarantors include references to the Initial Guarantors and to any Additional Guarantors.

Releases of the Note Guarantees

The Note Guarantee of a Guarantor will terminate automatically:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company of such Guarantor) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";
- (i) upon the designation in accordance with the Indenture of that Guarantor as an Unrestricted Subsidiary or (ii) such Guarantor otherwise becomes an Excluded Subsidiary (other than pursuant to clause (1) of the definition thereof);
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under 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 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 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 requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effective without the consent of the Holders or any action on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Notes Security

General

Subject to the Agreed Security Principles:

On the Issue Date, the Notes will benefit from the same security that secures any of the Existing Notes and the Senior Credit Facility, comprising of:

- senior pledges over all of the capital stock of the Initial Guarantors and certain intercompany loans;
- senior pledges over the business (*fonds de commerce*) of NC Numericable S.A.S. and SFR S.A.;
- senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Initial Guarantors; and
- senior pledges over certain bank accounts of the Issuer (collectively, the "*Notes Collateral*").

None of the network assets of the Issuer or its Subsidiaries will be pledged as security for the Notes.

In the event the Issuer or the relevant grantor of security is required to enter new Security Documents in order to provide security for its obligations under the Notes or the Note Guarantees, as applicable, as described herein, such Security Documents will be entered into within 20 business days after the Issue Date.

The Notes Collateral will also secure Indebtedness under the Revolving Credit Facility, the Senior Credit Facility, the Existing Notes, and certain Hedging Obligations. 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.

The security interests over the Notes Collateral granted by a Guarantor will be subject to the same limitations applicable to the Note Guarantee of such Guarantor. In addition, the security interests over the Notes Collateral will, in some cases, be first-ranking and, in other cases, further-ranking. Pursuant to the terms of the Intercreditor Agreement, the holders of the Existing Notes, the lenders under the Revolving Credit Facility, the lenders under the Senior Credit Facility, and counterparties to certain hedging obligations secured on the Notes Collateral will share in recoveries from the enforcement of the security interests over the Notes Collateral on a *pari passu* basis.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Impairment of Security Interests*", the Issuer and its Restricted Subsidiaries will be permitted to incur certain additional Indebtedness in the future that may be secured by the Notes Collateral, including any Additional Notes, certain Indebtedness under Credit Facilities (including revolving credit facility Indebtedness) and Hedging Obligations, in each case, permitted under the Indenture and other Indebtedness of the Issuer and its Subsidiaries.

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 Intercreditor Agreement places limitations on the ability of the Security Agent to release the security interests in some of the Notes Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Risk Factors—Risks Relating to the Notes and the Structure—The value of the Notes Collateral may not be sufficient to satisfy the Issuer's obligations under the Notes and such Notes Collateral may be reduced or diluted under certain circumstances.*"

By accepting a Note, each holder will be deemed to have irrevocably appointed the Security Agent to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents and irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Security Documents

Under the Security Documents, the applicable grantor of security has granted or will grant security over the Notes Collateral to secure the payment when due of the Issuer's and/or the Guarantors' payment obligations under the Notes, the Note Guarantees and/or the Indenture (as applicable). The Security Documents will be entered into by the relevant security provider and the Security Agent as trustee for the secured parties referred to therein. When entering into the Security Documents, the Security Agent will act in its own name, but also (except where the Security Documents only secure the "parallel debt" created under the Intercreditor Agreement and owed to such Security Agent) 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 Revolving Credit Facility, the Senior Credit Facility, the holders of the Existing Notes, the counterparties under certain Hedging Obligations, and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties.

The Indenture will provide that, subject to the terms thereof, and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by the security interest in the Notes Collateral that is created by the Security Documents and secures obligations under the Notes, the Note Guarantees and/or the Indenture (the "*Security Interests*"). Such Security Interests in the Notes Collateral will also secure the obligations under the Existing Notes (either directly or by virtue of the Intercreditor Agreement), the Revolving Credit Facility, the Senior Credit Facility, the counterparties to certain Hedging Obligations and certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by such Notes Collateral. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Notes Collateral*" below. See "*Risk Factors—Risks Relating to the Notes and the Structure—There are circumstances other than repayment or discharge of the Notes under which the Guarantees and/or Notes Collateral will be released, without your consent or the consent of the Trustee*".

The Security Documents will provide that the rights with respect to the Notes and the related Note Guarantees must be exercised by the Security Agent. Because the Holders will not be a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

In the event that the Issuer, a Subsidiary of 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—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions*".

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 applicable Note Guarantees under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of the Notes Collateral to a Person that is not the Issuer 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 the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(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 an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "*—Amendments and Waivers*", "*—Certain Covenants—Impairment of Security Interests*" and the second paragraph under "*—Certain Covenants—Limitation on Liens*";

(7) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;

(8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the Indenture, the Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) in connection with a transaction permitted by the covenant described below under the caption "*—Certain Covenants—Merger and Consolidation*";

(10) with the consent of holders of at least 75% in aggregate principal amount of Notes secured by (or the Note Guarantees in respect of which are secured by) the Notes Collateral (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, such Notes); or

(11) with respect to any Notes Collateral that is transferred to a Receivables Subsidiary pursuant to a Qualified Receivables Financing, and with respect to any Securitization Asset that is transferred in one or more transactions, to a Receivables Subsidiary pursuant to a Qualified Receivables Financing, but only in respect of the Notes Collateral so transferred.

Upon certification by the Issuer, the Trustee (to the extent action is required by it) and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Agent and the Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Intercreditor Agreement

On the Issue Date, the Trustee (in its capacity as representative of the holders of the Notes) will accede to the Intercreditor Agreement, which establishes the relative rights of certain creditors of the Group under its financing arrangements, including, without limitation, the holders of the Existing Notes, the lenders under the Revolving Credit Facility, the lenders under the Senior Credit Facility, the counterparties under certain Hedging Obligations secured on the Notes Collateral and the holders of the Notes. Please see "*Description of Other Indebtedness—Intercreditor Agreement*".

Under the terms of the Intercreditor Agreement and subject to its terms, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from the Notes Collateral *pari passu* with the lenders under the Senior Credit Facility, the lenders under the Revolving Credit Facility, the holders of the Existing Notes and counterparties under certain Hedging Obligations.

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 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 and any Additional Intercreditor Agreement and to have authorized the Trustee and the Security Agent to enter into any such Intercreditor Agreement or any such Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture.

Optional Redemption

Except as described below and except as described under "*Redemption for Changes in Withholding Taxes*", the Notes are not redeemable until , 2021. On and after , 2021 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

Year	Redemption Price
2021	
2022	
2023	
2024 and thereafter	

Prior to , 2019 the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Notes (including the principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time prior to , 2021 the Issuer may also redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period.

In connection with any tender offer or other offer to purchase for all of the Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' notice following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer (other than any incentive payment for early tenders), plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but not including, the repurchase date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a tender offer or other offer to purchase for all of the Notes, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date.

Any redemption notice given in respect of the redemption of the Notes (including upon an Equity Offering or in connection with a transaction (or series of related transactions) or an event that constitutes a Change of Control) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, the completion or occurrence of the relevant transaction, as the case may be. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied or waived, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date as so delayed, or such notice may be rescinded at any time in the Issuer's discretion if in the good faith judgment of the Issuer any or all of such conditions will not be satisfied. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under the Indenture to be redeemed.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the 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 or by lot or such other similar method in accordance with the procedures of DTC; *provided*, *however*, that no Note of $200,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of $1,000 will be redeemed. Neither the Trustee nor the Registrars will be liable for any selections made in accordance with this paragraph.

For so long as the applicable Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will (if such Notes are in certificated form) mail notice of redemption to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. If such Notes are in global form, notice of redemption will be delivered to DTC for communication to entitled account holders. 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 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—*Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of such Notes, the Issuer or any Guarantor is or would be required to pay Additional Amounts, and (a) the Issuer or the relevant Guarantor cannot avoid such requirement by taking reasonable measures available to it (including the designation of a different Paying Agent), (b) in the case of a Guarantor, such amounts cannot be paid by the Issuer or any other Guarantor who in turn can pay such amounts without the obligation to pay Additional Amounts and (c) the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction (as defined in "—*Withholding Taxes*" below) which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of such Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of such Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that (a) it or the relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or the relevant Guarantor taking reasonable measures available to it and (b) in the case of a Guarantor, the amounts giving rise to such obligation cannot be paid by the Issuer or any other Guarantor without the obligation to pay Additional Amounts.

In the absence of bad faith on its part, the Trustee will accept and shall be entitled to conclusively rely without further inquiry on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

Withholding Taxes

All payments made under or with respect to the Notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax ("*Taxes*") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder or beneficial owner of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), other than connections arising from the holding of such Note or any Note Guarantee, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes or any excise Taxes imposed on transfers;

(4) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(5) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;

(6) all United States federal backup withholding taxes;

(7) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or

(8) any combination of items (1) through (7) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the applicable Note been the holder of such Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder or beneficial owner for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (3) or (5) through (7) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to any Notes or any related Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 10 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 10 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. Such Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes (and any political subdivision or governmental authority thereof or therein having power to tax) and any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes or any Note Guarantee and any political subdivision thereof or therein.

Change of Control

If a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this heading "Change of Control", each Holder will have the right to require the Issuer to repurchase all or any part (equal to $200,000 or an integral multiple of $1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase the Notes as described under this heading, "Change of Control", in the event and to the extent that it has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below $200,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event or, at the Issuer's option, at any time prior to a Change of Control Triggering Event following the public announcement thereof or if a definitive agreement is in place for the Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Notes by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

(1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days from the date such notice is mailed nor later than the later of 60 days from the date such notice is mailed and 60 days after the Change of Control Triggering Event) (the "*Change of Control Payment Date*") and the record date;

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;

(6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event; and

(7) certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules and regulations, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indenture) as required by the Indenture*".

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the 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 Agents, at the Issuer's expense, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly instruct its authenticating agent to authenticate and, at the Issuer's expense, mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least $200,000 and integral multiples of $1,000 in excess thereof.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not validly withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not validly withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of the delivery of the notice for such redemption. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer, Notes owned by any affiliate of the Issuer or funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such Change of Control Offer.

The provisions of the Indenture 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 the Issuer's management or its Affiliates or certain other sale transactions, including a takeover, reorganization, recapitalization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its Affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control Triggering Event.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The existing indebtedness of the Issuer or the Restricted Subsidiaries contains, and its respective future indebtedness may also contain, prohibitions of certain events that would constitute a "change of control" thereunder or require such Indebtedness to be repurchased or repaid upon such a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such

Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's and its Restricted Subsidiaries' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indenture) as required by the Indenture*".

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 the Issuer and its Restricted Subsidiaries taken as a whole to a Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)), other than a Permitted Holder. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. Holders of the Notes may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of the Issuer's board of directors, including in connection with a proxy contest, where the Issuer's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indenture. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*,

(1) that the Issuer or any Guarantor may Incur Indebtedness if on the date on which such Indebtedness is Incurred, the Consolidated Net Leverage Ratio would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been incurred at the beginning of the relevant period; and

(2) if such Indebtedness is Senior Secured Indebtedness, the Issuer or any Guarantor may incur such Indebtedness so long as the Consolidated Net Senior Secured Leverage Ratio would have been no greater than 3.25 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been incurred at the beginning of the relevant period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of (i) €750 million and (ii) 100% of L2QA Pro Forma EBITDA; *provided* that any Indebtedness Incurred under this clause (1) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent such guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in

right of payment to, or *pari passu* in right of payment with, the Notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or such Note Guarantee, as applicable, substantially to the same extent as such guaranteed Indebtedness and (ii) if such Guarantee is of Indebtedness of the Issuer or a Guarantor, such Restricted Subsidiary complies with the first paragraph of the covenant described under "*—Additional Guarantors*"; or (b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to the Issuer or any Restricted Subsidiary securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is not prohibited by the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary, or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary; *provided*, *however*, that if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of intercompany current liabilities incurred in connection with cash management positions of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; *provided* that:

(i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and

(ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer 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 and Indebtedness represented by the Existing Notes and the Senior Credit Facility incurred on or prior to the Issue Date and in each case the Guarantees thereof, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date, after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds thereof, (c) Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise Incurred in respect of any, Indebtedness described in sub-clauses (a), (b) or (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and (e) Indebtedness represented by the Security Documents and including, with respect to each such Indebtedness, "parallel debt" obligations created under the Intercreditor Agreement and the Security Documents;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with the Issuer or any Restricted Subsidiary or pursuant to any acquisition of assets and/or assumption of related liabilities by the Issuer or a Restricted Subsidiary (including in contemplation of such transaction) or (ii) of the Issuer or any Guarantor Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or pursuant to any acquisition of assets and/or assumption of related liabilities by the Issuer or a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or otherwise in connection with or contemplation of such transaction; *provided, however*, with respect to each of clause (5)(i) and (5)(ii), that immediately following the consummation of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (1) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(6) [Reserved];

(7) (a) Indebtedness under Currency Agreements (other than Currency Agreements described in (b) below), Interest Rate Agreements and Commodity Hedging Agreements and (b) Indebtedness under Currency Agreements entered into in order to hedge any operating expenses and capital expenditures Incurred in the ordinary course of business; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of the Issuer 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) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8) and then outstanding, will not exceed at any time outstanding the greater of €350 million and 9% of L2QA Pro Forma EBITDA; *provided* that any Indebtedness incurred under this clause (8) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer 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 the Issuer 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 the Issuer and the Restricted Subsidiaries in connection with such disposition;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(12) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;

(13) [Reserved];

(14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of the Issuer 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 the Issuer and the Restricted Subsidiaries from the issuance or sale (other than to the Issuer 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 the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1) and (6) of the second paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer or a Guarantor 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 the Issuer or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1) and (6) of the second paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" in reliance thereon;

(15) [Reserved]; and

(16) Indebtedness Incurred (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed the greater of (i) €400 million and (ii) 50% of L2QA Pro Forma EBITDA; *provided* that any Indebtedness incurred under this clause (16) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith.

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 any Indebtedness outstanding on the Issue Date (after giving effect to the Transactions) under the Revolving Credit Facility shall not be deemed Incurred on the Issue Date under clause 4(b) of the second paragraph of this covenant;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of the Issuer or a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, or at the option of the Issuer, the date first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, or at the option of the Issuer, the date first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; and (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio to test compliance with any covenant in the Indenture, in determining the amount of Indebtedness outstanding in euro on any date of determination, with respect to any Indebtedness denominated in a currency other than euro (the "*Foreign Currency*"):

(1) subject to a currency swap arrangement or contract, the aggregate principal amount of such Foreign Currency Indebtedness on any such date of determination shall be the euro amount of the aggregate principal amount to be paid by the Issuer or a Restricted Subsidiary on the maturity date of such currency swap arrangement or contract pursuant to the terms thereof; or

(2) subject to a currency forward arrangement, forward accretion curve or contract, the aggregate principal amount of such Foreign Currency Indebtedness shall be converted into euro at the

exchange rate specified under the terms of such currency forward arrangement, forward accretion curve or contract as applicable to such Foreign Currency Indebtedness on such date of determination.

For the avoidance of doubt, notwithstanding a Group member entering into any such arrangement or contract hedging foreign exchange exposure of any Foreign Currency Indebtedness, for the purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio, the aggregate principal amount of Indebtedness subject to any such arrangement or contract shall be attributed to the total Indebtedness of the Person that originally Incurred such Indebtedness.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of this covenant) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms (as determined in good faith by the Issuer); *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of being secured on a junior priority basis, by virtue of not being guaranteed by one or more of the Issuer's Subsidiaries or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Limitation on Restricted Payments

The Issuer 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 the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:

    (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

    (b) dividends or distributions payable to the Issuer 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 the Issuer 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) any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement; and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock) or for options, warrants or other rights to purchase such Capital Stock of the Issuer (other than Disqualified Stock)); or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or a Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) except in the case of a Restricted Investment, the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to sub-clause (1) of 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 the Issuer and the Restricted Subsidiaries subsequent to the Original Notes Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the immediately succeeding paragraph), (6), (10), (17) and (18) of the immediately succeeding paragraph, but excluding all other Restricted Payments permitted by the immediately succeeding paragraph) would exceed the sum of (without duplication):

   (i) an amount equal to 100% of the Consolidated EBITDA for the period beginning on the first day of the first full fiscal quarter commencing prior to the Original Notes Issue Date to the end of the Issuer's most recently ended full fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available, taken as a single accounting period, less the product of 1.4 times the Consolidated Interest Expense for such period;

   (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original 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 the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph; (y) Net Cash Proceeds received from the Rights Issue and (z) Excluded Contributions);

   (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Original Notes Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer 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 the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Original Notes 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 second last paragraph of this covenant) of property, assets or marketable securities received by the Issuer or any Restricted Subsidiary in connection with:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary,

which Unrestricted Subsidiary was designated as such after the Original Notes 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 the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the second last paragraph of this covenant) of any property, assets or marketable securities received by the Issuer 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 Original Notes 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 (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 the Issuer or a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock, Designated Preference Shares, the Rights Issue 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 the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the second last paragraph of this covenant) of property, assets or marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph and for purposes of the "Optional Redemption" provisions of the Indenture;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or such Restricted Subsidiary, and (b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case under (a) and (b), is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above, and that in each case (other than such sale of Preferred Stock of the Issuer that is not Disqualified Stock) constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (or any loans, advances, dividends or other distributions by the Issuer to any Parent to permit such Parent to purchase, repurchase, redeem, defease or otherwise acquire or retire Indebtedness of any Parent so long as the Net Cash Proceeds (or a portion thereof) of such Indebtedness has been received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Notes Issue Date):

(a) (i) 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 "—*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 or making any such loans, advances, dividends or other distributions to any Parent and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness or such Indebtedness of any Parent plus accrued and unpaid interest (and costs, expenses and fees incurred in connection therewith); or

(b) to the extent required by the agreement governing such Subordinated Indebtedness or such Indebtedness of any Parent, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if required, if the Issuer shall have first complied with the terms described under "Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness or making any such loans, advances, dividends or other distributions to any Parent and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness or such Indebtedness of any Parent plus accrued and unpaid interest (and costs, expenses and fees incurred in connection therewith); or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and at a purchase price not greater than 100% of the principal amount of such Acquired Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness (and costs, expenses and fees incurred in connection therewith);

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, 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 the Issuer, 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) €40 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate unused amounts carried over in any calendar year do not exceed €40 million in any calendar year), *plus* (2) the Net Cash Proceeds received by the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary in amounts equal to (without duplication) the amounts required for any Parent to pay:

(a) any Parent Expenses or any Related Taxes; and

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2) (with respect to fees and expenses incurred in connection with the transactions described therein), (5) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions;*"

(10) [Reserved];

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer 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) so long as no Payment Block Event has occurred and is continuing, Restricted Payments (a) by the Issuer to a Parent and/or its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by Altice Luxembourg S.A. for the payment of regularly scheduled interest as such amounts come due under the Altice Luxembourg S.A. Notes and the Altice Luxembourg S.A. Revolving Credit Facility and (b) in an amount required by any Parent to pay interest and/or principal (including AHYDO Catch Up Payments) on Indebtedness of any such Parent so long as the Net Cash Proceeds (or a portion thereof) of such Indebtedness have been received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Notes Issue Date; *provided* that the

principal amount of any Indebtedness able to be repaid pursuant to this clause (b) is limited to the amount of Net Cash Proceeds received by the Issuer plus fees and expenses relating to the refinancing of such Indebtedness and, in the case of each of (a) and (b) above, any Refinancing Indebtedness in respect thereof;

(16) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Original Notes Issue Date; *provided*, *however*, that the amount of all dividends declared or paid by the Issuer pursuant to this clause (16) shall not exceed the Net Cash Proceeds received by the Issuer from the issuance or sale of such Designated Preference Shares;

(17) so long as no Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment to the extent that, after giving *pro forma* effect to any such Restricted Payment, the Consolidated Net Leverage Ratio would be no greater than 4.0 to 1.0;

(18) so long as no Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (i) €810 million and (ii) 21% of L2QA Pro Forma EBITDA;

(19) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of the Perpetual Subordinated Notes (including any capitalized interest) to the extent such purchase, repurchase, redemption, defeasance or other acquisition or retirement is required by the terms of the Perpetual Subordinated Notes;

(20) Restricted Payments to finance Investments or other acquisitions by a Parent or any Affiliate which would be otherwise permitted to be made pursuant to this covenant *"—Limitation on Restricted Payments*" if made by the Issuer or a Restricted Subsidiary; provided, that (i) such Restricted Payment shall be made substantially concurrently with the closing of such Investment or other acquisition, (ii) such Parent or Affiliate of the Issuer shall, promptly following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the Issuer or one of its Restricted Subsidiaries or (2) the merger, amalgamation, consolidation, or sale of the Person formed or acquired into the Issuer or one of its Restricted Subsidiaries (in a manner not prohibited by the covenant described under *"—Merger and Consolidation*") in order to consummate such Investment or other acquisition, (iii) such Parent or Affiliate of the Issuer receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with this covenant "*—Limitation on Restricted Payments*" and (iv) any property received in connection with such transaction shall not constitute an Excluded Contribution up to the amount of such Restricted Payment made under this clause (20);

(21) any payments in cash or in kind relating to the settlement of any future, forward or other derivative contract entered into for non speculative purposes; and

(22) the declaration and payment of dividends or distributions by the Issuer to, or the making of loans to, a Parent in amounts required for a Parent to pay or cause to be paid, in each case without duplication, fees and expenses related to any equity or debt offering (whether or not successful) of such Parent.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer 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 the Issuer acting in good faith.

For purposes of determining compliance with this covenant and the definition of "Permitted Investments", as applicable, in the event that a Restricted Payment or a Permitted Investment meets the criteria of more than one of the categories described in clauses (1) through (22) above, or, in the definition of "Permitted Investments," as applicable, or is permitted pursuant to the first paragraph of this covenant, the Issuer will be entitled to classify such Restricted Payment (or portion thereof) or such Permitted Investment (or portion thereof) on the date of its payment or later reclassify such Restricted Payment (or portion thereof) or such Permitted Investment (or portion thereof) in any manner that complies with this covenant.

Limitation on Liens

The Issuer 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 (a)(ii) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Notes Security—Release of Notes Collateral*."

For purposes of determining compliance with this covenant, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens or Permitted Collateral Liens, as applicable, but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens or Permitted Collateral Liens, as applicable, the Issuer shall, in its sole discretion, divide, classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with this covenant and the definition of "Permitted Liens" or "Permitted Collateral Liens", as applicable.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer 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 any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer 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 the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary, or any requirement that such loans or advances made to the Issuer or any Restricted Subsidiary cannot be secured, shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to any Credit Facility or any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, 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) [Reserved];

(3) encumbrances or restrictions existing under or by reason of the Indenture, the Notes, the Existing Indentures, the Existing Notes, the Note Guarantees, the Revolving Credit Facility, the Senior Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(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 the Issuer or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (in each case, other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (4), if another Person is the Successor Company (as defined under "*—Merger and Consolidation*") or any Subsidiary thereof, any agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary; or

   (d) pursuant to the terms of any license, authorization, concession or permit;

(7) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(8) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(9) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(10) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, governmental license or order, or required by any regulatory authority or stock exchange;

(11) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(12) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Senior Credit Facility, or the Revolving Credit Facility on the Issue Date, together with the security documents associated therewith, if any, and the Intercreditor Agreement, as in effect on or immediately prior to the Issue Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions (x) will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they become due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

(14) any encumbrance or restrictions arising in connection with any Purchase Money Note, other Indebtedness or a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of 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 any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer 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), together with all other Asset Dispositions since the Issue Date (except to the extent any such Asset Disposition was a Permitted Asset Swap) on a cumulative basis, received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Issuer or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of the Issuer or such Restricted Subsidiary):

(a) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash (i) to prepay, repay, purchase or redeem any Indebtedness incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in clause (a)(i) above, to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer or a Guarantor that is secured in whole or in part by a Lien on the Notes Collateral (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement), which Lien ranks *pari passu* with the Liens securing the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer or such Guarantor, as applicable, shall prepay, redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Issuer or such Guarantor purchases through open market purchases at a price equal to or higher than 100% of the principal amount thereof, or makes an offer to the holders of the Notes to purchase their Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) for, in each case, an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); (iv) to purchase the Notes through open market purchases at a price equal to or higher than 100% of the principal amount thereof, or make an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (v) to redeem the Notes as described under "—*Optional Redemption*";

(b) to the extent the Issuer 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 the Issuer or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment or commitment to invest is consummated within 180 days of such 365th day;

(c) to make a capital expenditure within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or

(d) any combination of the foregoing,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €100 million, the Issuer will be required within ten (10) Business Days thereof to make an offer (an "*Asset Disposition Offer*") to all holders of Notes and, to the extent the Issuer or a Guarantor elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below $200,000.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer and the Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement or such shorter period of time required to comply with Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the Asset Disposition Offer (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agents, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will, via an authenticating agent, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of $200,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee (or other extinguishment in connection with the transactions relating to such Asset Dispositions) of Indebtedness and any other liabilities (as recorded on the balance sheet of the Issuer or any Restricted Subsidiary or in the footnotes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been reflected on the Issuer's or such Restricted Subsidiary's balance sheet or in the footnotes thereof

if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by the Issuer) of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer 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 €190 million and 5% of L2QA Pro Forma EBITDA (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

The Issuer 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 the Issuer (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €50 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate, or, if there are no comparable transactions involving non-Affiliates to apply for comparative purposes, the transaction is otherwise on terms that, taken as a whole, the Issuer has conclusively determined in good faith to be fair to the Issuer or such Restricted Subsidiary; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €100 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. If there are no Disinterested Directors, any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this covenant if the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b) of the second paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) or (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, 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 the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among the Issuer, 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 the Issuer, 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 the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time (including, without limitation, to add additional Persons in connection with any such Person becoming a Restricted Subsidiary) in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering (including the Initial Public Offering);

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services and Associates, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer 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 the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer 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 the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed an amount equal to the greater of €20 million or 1.5% of L2QA Pro Forma EBITDA per year; (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures with the approval of the Board of Directors of the Issuer (acting in good faith); and (c) payments of all fees and expenses related to the Transactions;

(12) any transaction effected as part of a Qualified Receivables Financing and other Investments in a Receivables Subsidiary consisting of cash or Securitization Assets;

(13) any participation in a rights offer or public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer;

(14) transactions between the Issuer or any Restricted Subsidiary and any other Person that would constitute an Affiliate Transaction solely because a director of such other Person is also a director of the Issuer or any Parent; *provided, however*, that such director abstains from voting as a director of the Issuer or such Parent, as the case may be, at any board meeting approving such transaction on any matter including such other Person;

(15) payments to and from, and transactions with, any joint ventures entered into in the ordinary course of business or consistent with past practices (including, without limitation, any cash management activities related thereto); and

(16) commercial contracts (including franchising agreements, business services related agreements or other similar arrangements) between an Affiliate of the Issuer and the Issuer or any Restricted Subsidiary that are on arm's length terms or on a basis that senior management of the Issuer reasonably believes allocates costs fairly.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as the 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 the Notes on another recognized stock exchange.

Reports

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2016, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to the Offering Memorandum or the Issuer's English language version of its 2014 Registration Document, filed with the Autorité des Marchés Financiers on April 30, 2015, the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the most recent fiscal year (and comparative information as of the end of the prior fiscal year) and audited consolidated income statements and statements of cash flow of the Issuer for the most recent fiscal year (and comparative information as of the end of the prior fiscal year), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (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 the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred during the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of the Issuer on a *pro forma* consolidated basis or (ii) recapitalizations by the Issuer or a Restricted Subsidiary, in each case, that have occurred during 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 the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, 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 the Issuer beginning with the fiscal quarter ending March 31, 2016, all quarterly reports of the Issuer 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 the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred during the relevant quarter, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of the Issuer 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, Consolidated 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); and

(3) promptly after the occurrence of such event, information with respect to (a) any change in the independent public accountants of the Issuer, (b) any material acquisition, disposal, merger or similar transaction or (c) any development determined by an Officer of the Issuer to be material to the business of the Issuer and its Restricted Subsidiaries (taken as a whole).

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph by delivering the corresponding annual and quarterly reports of a Parent; provided that to the extent that the Issuer is not the reporting entity and material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer or such Parent as applicable, the annual and quarterly reports shall give a reasonably detailed description of such differences and include an unaudited reconciliation of the Issuer's consolidated financial statements to such Parent's consolidated financial statements, as applicable.

At any time that the Issuer is not required to file annual or quarterly reports with the Autorité des Marchés Financiers, the Issuer may satisfy its obligations under clauses (1) or (2) of the first paragraph by delivering annual and quarterly reports of the Issuer with a level of detail that is comparable in all material respects to the annual and quarterly reports required to be delivered by Altice International S.A. under the 2015 Altice International Indenture.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time if any Subsidiary of the Issuer 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 the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) of the first paragraph of this covenant, the Issuer 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 and its Subsidiaries or any Parent or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer 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. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, at the Issuer's registered office or, to the extent and in the manner permitted by such rules and regulations, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other parties' compliance with any of its covenants in the Indenture (as to which the Trustee will be entitled to rely exclusively on Officer's Certificates that are delivered).

Merger and Consolidation

The Issuer

The Issuer will not 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 the Issuer) will be a Person organized and existing under the laws of any member state of the European Union as of the Issue Date or the date on which such Person becomes the Successor Company, United Kingdom, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to each Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement and the Security Documents (or, subject to the covenant under "*—Impairment of Security Interests*" provide a Lien of at least equivalent ranking over the same assets), as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable two consecutive fiscal quarter period, either (a) the Issuer or the Successor Company would have been able to Incur at least an additional €1.00 of Indebtedness pursuant to sub-clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer 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 first paragraph of this covenant (which does not apply to transactions referred to in this sentence in which the Issuer 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 the Issuer; and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary or the Issuer. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the first paragraph of this covenant, the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer.

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 first paragraph of this "Merger and Consolidation" covenant) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

The Guarantors

None of the Guarantors (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it;

unless:

(A) the other Person is the Issuer 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 the Issuer 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 or the Issuer 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 or the Issuer. 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.

Lines of Business

The Issuer 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 the Issuer and the Restricted Subsidiaries, taken as a whole.

Additional Guarantors

The Issuer will not permit any of its Restricted Subsidiaries (other than a Guarantor) to, Guarantee any Indebtedness of the Issuer or any Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under “*—Limitation on Indebtedness*”) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary’s Guarantee of such other Indebtedness; *provided*, this covenant will not be applicable to any Guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

Note Guarantees existing on or granted after the Issue Date pursuant to this covenant shall be released as set forth under “*—Releases of the Note Guarantees*”. In addition, Note Guarantees existing on or granted after the Issue Date pursuant to the first paragraph of this covenant may be released at the option of the Issuer, if, at the date of such release, (i) the Indebtedness which required such Note Guarantee has been released or discharged in full, (ii) no Event of Default would arise as a result of such release, and (iii) there is no other Indebtedness of such Guarantor outstanding that was Incurred after the Issue Date and that could not have been Incurred in compliance with the Indenture as of the date Incurred if such Guarantor were not a Guarantor as at that date. Notwithstanding anything in the Indenture to the contrary, the Issuer may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to be a Guarantor to become a Guarantor and such Note Guarantee may be released at any time in the Issuer’s sole discretion. The Trustee and the Security Agent (to the extent action is required by it) shall each take all necessary actions requested by the

Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee 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, the Issuer shall not be obligated to cause (a) an Excluded Subsidiary to provide a Note Guarantee (for so long as such entity is an Excluded Subsidiary) or (b) any Restricted Subsidiary to provide a Note Guarantee to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from Incurring such Guarantee by the terms of any Indebtedness existing on the Issue Date (or, with respect to any Subsidiary acquired by the Issuer or a Restricted Subsidiary after the Issue Date, on the date such Subsidiary is so acquired) (or any Refinancing Indebtedness in respect thereof) of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary); provided that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Trustee of these events and beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes: "*—Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*" and "*—Impairment of Security Interests*", the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*", and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*".

On and after each Reversion Date, the Issuer and its Subsidiaries will be permitted to perform under, or consummate the transactions contemplated by, any contract entered into during the period of time between the Suspension Event and the Reversion Date (the "*Suspension Period*"), so long as such contract and such consummation would have been permitted during such Suspension Period.

The Issuer shall give the Trustee written notice of any Covenant Suspension Event and in any event not later than five (5) Business Days after such Covenant Suspension Event has occurred. The Issuer shall give the Trustee written notice of any occurrence of a Reversion Date not later than five (5) Business Days after such Reversion Date.

Impairment of Security Interests

The Issuer 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 subject to the next succeeding paragraph, the Incurrence of Permitted Collateral Liens, 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 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 next succeeding paragraph, (x) the Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (y) the Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents and (z) the Issuer and the Restricted Subsidiaries may consummate any other transaction permitted under "*—Merger and Consolidation*".

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Security Interest in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement transactions permitted under "*—Merger and Consolidation*;" (iv) add to the Notes Collateral; (v) provide for the release of any security interest on any properties and assets constituting Notes Collateral from the Lien of the Security Documents, provided that such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the Notes or any Note Guarantee; (vi) make any other change thereto that does not adversely affect the Holders in any material respect (it being understood that such restatement, amendment or other modification to provide for subordinated security interests will be deemed not to be materially less favorable to the Holders) or (vii) subject to compliance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable, increase the amounts and types of Indebtedness covered by such Security Document; *provided, however*, that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v) and (vi), the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer 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 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

The Issuer will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer 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), 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 will provide that, at the request of the Issuer, and without the consent of Holders, in connection with the Incurrence by the Issuer or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the covenant described under "*—Certain Covenants—Limitation on Liens*", the Issuer 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 Liens over the Notes Collateral (or terms not materially less favorable to the Holders, it being understood that such restatement, amendment or other modification to provide for subordinated security interests will be deemed not to be materially less favorable to the Holders); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing, any such Additional Intercreditor Agreement may provide for *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the covenant described under "*—Certain Covenants—Limitation on Liens*").

The Indenture will also provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure Additional Notes, (6) implement any Liens permitted by the covenant described under "*—Certain Covenants—Limitation on Liens*", (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof, (8) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement any transaction that is subject to the covenants described under the caption "*—Merger and Consolidation*", or (9) implement any transaction in connection with the renewal extension, refinancing, replacement or increase of Indebtedness that is not prohibited by the Indenture or make any other change to any such agreement that does not adversely affect the Holders in any material respect; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Note Guarantee, enforcement of Liens over the Notes Collateral, the application of proceeds from the enforcement of Notes Collateral or the release of any Note Guarantees or Notes Collateral in a manner than would adversely affect the rights of the Holders in any material respect except as otherwise permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "Amendments and Waivers", and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, at the request of the Issuer, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture will also 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.

Limited Condition Acquisition and Irrevocable Repayment

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into. For the avoidance of doubt, if the Issuer has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the definitive agreements for the applicable Limited Condition Acquisition or Irrevocable Repayment were entered into and prior to the consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment for purposes of:

(1) determining compliance with any provision of the Indenture which requires the calculation of the Consolidated Net Senior Secured Leverage Ratio or Consolidated Net Leverage Ratio; or

(2) testing baskets set forth in the Indenture (including baskets measured as a percentage of L2QA Pro Forma EBITDA);

in each case, at the option of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Acquisition or Irrevocable Repayment, an "*LCA Election*"), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into (the "*LCA Test Date*"). If, after giving pro forma effect to the Limited Condition Acquisition or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent two consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Issuer are available, the Issuer could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If the Issuer has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in L2QA Pro Forma EBITDA of the Issuer or the Person subject to such Limited Condition Acquisition or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Issuer has made an LCA Election for any Limited Condition Acquisition or Irrevocable Repayment, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Issuer or the designation of an Unrestricted Subsidiary on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition or Irrevocable Repayment is consummated or the definitive agreement for such Limited Condition Acquisition or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such ratio or basket shall be calculated on a pro forma basis assuming such Limited Condition Acquisition or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any Restricted Subsidiary to comply for 30 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with any of its obligations under the covenants described under "Change of Control" above or under the covenants described under "—*Certain Covenants*" above (in each case, other than a failure to purchase such Notes, which will constitute an Event of Default under clause (2) above);

(4) failure by the Issuer, 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 the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by the failure to pay principal of such Indebtedness at the Stated Maturity thereof (after giving effect to any applicable grace periods provided in such Indebtedness) ("*payment default*"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross-acceleration provision*"),

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer 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 or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25 million, exclusive of any amounts that a solvent insurance company has acknowledged liability for, which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(8) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Notes Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

(9) any Note Guarantee by a Guarantor that is a Significant Subsidiary or any group of Guarantors that taken together would constitute a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days after the notice specified in the Indenture (the "*guarantee provisions*").

However, a default under clauses (3), (4), (5), (7), (8) or (9) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5), (7), (8) and (9) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7), (8) or (9), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all such Notes to be due and payable immediately. The Trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee, and the Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (on behalf of the Holders) or of exercising any trust or power conferred on the Trustee (on behalf of the Holders).

The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. Such Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and a Responsible Officer of the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders of such Notes 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 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 Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment or waiver may not:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver, supplement or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "—*Limitation on Sales of Assets and Subsidiary Stock*");

(3) reduce the principal of, or extend the Stated Maturity of, any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "—*Optional Redemption*" (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "—*Limitation on Sales of Assets and Subsidiary Stock*");

(5) make any Note payable in money other than that stated in the Note (except to the extent the currency stated in the Notes has been succeeded or replaced pursuant to applicable law);

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes (it being understood that this clause (6) will not apply to provisions under the caption "*Change of Control*" and "*Limitation on Sales of Assets and Subsidiary Stock*" except to the extent payments thereunder are at such time due and payable);

(7) make any change in the provision of the Indenture to such Notes described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of Notes and a waiver of the payment default that resulted from such acceleration); or

(9) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

In addition, (A) without the consent of at least 75% in aggregate principal amount of Notes then outstanding, no amendment or supplement may: (1) release any Guarantor 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; or (2) 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.

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 the Issuer 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 Holders in any material respect under 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 Indenture, to add Guarantees with respect to the Notes (including any provisions relating to the

release or limitations of such Additional Guarantees), to add security to or for the benefit of the Notes, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(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; or

(9) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*" and "*—Certain Covenants–Impairment of Security Interests*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel as set forth in the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For the purpose of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Notes shall be as of the Issue Date.

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

Except as otherwise provided under "*—Optional Redemption*" and "*—Change of Control*", in determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the right to receive payment, defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders of the Notes under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under "*—Certain Covenants*" and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above (other than with respect to clauses (1) and (2) of the first paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation—The*

Issuer"), the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to the Issuer 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 clauses (1) and (2) of the first paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*"), (4), (5), (6), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or an entity designated or appointed as agent by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel (subject to customary exceptions and exclusions) from United States counsel to the effect that Holders or beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel from United States counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders of Notes under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the relevant Paying Agent for cancellation; or (b) all Notes not previously delivered to the relevant Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or an entity designated or appointed as agent by it for this purpose), cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to apply the deposited money toward payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Listing and general information

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market will be approved, and settlement of the Notes is not conditioned on obtaining this listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements, the Issuer's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

Available Information

Anyone who receives this Offering Memorandum prior to the Issue Date, 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 such Notes, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer, 1 square Béla Bartók, 75015 Paris, France, Attention: Chief Financial Officer.

Concerning the Trustee and Certain Agents

Deutsche Bank Trust Company Americas is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which the Trustee has been notified in accordance with the provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Issuer shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee and the Paying Agents and the Registrars will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain 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 or delivered to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to such 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 DTC, notices may be given by delivery of the relevant notices to DTC for communication to entitled account holders in substitution for the aforesaid mailing.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and Note Guarantees thereof is U.S. dollars, including damages. Any amount received or recovered in a currency other than U.S. dollars, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the U.S. dollar, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the 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

Numericable US LLC as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder is governed by and construed in accordance with the laws of England and Wales. The Security Documents shall be governed by and construed in accordance with the laws of France 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.

"*2015 Altice International Indenture*" means the indenture governing the 2015 Altice International Notes as may be amended or supplemented from time to time.

"*2015 Altice International Notes*" means (i) the $2,243,000,000 aggregate principal amount of Altice International S.A.'s 6⅝% Senior Secured Notes due 2023 and (ii) the €500,000,000 aggregate principal amount of Altice International S.A.'s 5¼% Senior Secured Notes due 2023.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Subject to "*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*", Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) not classified as current assets under IFRS used or to be used by the Issuer 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 the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means principles set forth in Annex IV of the Senior Credit Facility, which shall be attached as a schedule to the Indenture.

"AHYDO Catch Up Payment" means any payment on any Indebtedness that would be necessary to avoid such Indebtedness being characterized as an "*applicable high yield discount obligation*" under Section 163(i) of the Code.

"*Altice France*" refers to Altice France S.A. a 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 B 135296.

"*Altice Luxembourg S.A.*" refers to Altice Luxembourg S.A. a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg with registered office at 3, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B.197134.

"*Altice Luxembourg S.A. Notes*" refers to Altice Luxembourg S.A.'s senior notes due 2022 issued on May 8, 2014.

"*Altice Luxembourg S.A. Revolving Credit Facility*" refers to the revolving facility agreement, dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among Altice Luxembourg S.A. as initial borrower, the lenders from time to time party thereto, and the facility agent and security agent (as each are defined therein).

"*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 , 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the "*—Optional Redemption*" section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Note to and including , 2021 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

   (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 the Issuer and the Restricted Subsidiaries, 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 the Issuer 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 the Issuer 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 the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business (as determined in good faith by the Issuer) of the Issuer 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 Guarantors*") or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer 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) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) not to exceed the greater of (i) €270 million and (ii) 7.0% of L2QA Pro Forma EBITDA;

(8) (i) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*", any transaction specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment or (ii) solely for the purposes of the second paragraph under "—*Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock*", a disposition, the proceeds of which are used to make such Restricted Payments permitted to be made under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*", Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "—*Certain Covenants—Limitation on Liens*";

(10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables or related assets in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of tax receivables and factoring accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales, transfers or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business and Investments in Receivables Subsidiaries consisting of cash or Securitization Assets;

(15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer 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 the Issuer 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 the Issuer and the Restricted Subsidiaries (considered as a whole);

(19) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by the Issuer 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 the Issuer 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*";

(20) any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets (including Capital Stock) of the Issuer and its Subsidiaries or of any Person that becomes a Restricted Subsidiary (i) acquired in a transaction permitted under the Indenture, which assets are not used or useful in the core or principal business of the Issuer and its Restricted Subsidiaries, or (ii) made in connection with the approval of any applicable antitrust authority or pursuant to Competition Laws or otherwise necessary or advisable in the good faith determination of the Issuer to consummate any acquisition permitted under the Indenture;

(21) dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) an amount equal to the Net Available Cash of such disposition is promptly applied to the purchase price of such replacement property;

(22) the lapse, abandonment or other disposition of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Issuer are no longer commercially reasonable to maintain or are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;

(23) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions in connection with the Transactions;

(24) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements; and

(25) contractual arrangements under long-term contracts with customers entered into by the Issuer or a Restricted Subsidiary in the ordinary course of business which are treated as sales for accounting purposes; provided that there is no transfer of title in connection with such contractual arrangement.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer 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 the Issuer 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 on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

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

"*Capital Stock*" of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States Government, Canada, the United Kingdom, Switzerland or any member state of the European Union, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by 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, the United Kingdom, Switzerland, Canada, any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland or the United Kingdom eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (or a group

controlled by one or more Permitted Holders) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer (or any Successor Company), measured by voting power rather than number of shares;

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors on the Board of Directors of the Issuer (together with any new directors whose election by the majority of such directors on such Board of Directors of the Issuer or whose nomination for election by shareholders of the Issuer, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Issuer then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors on the Board of Directors of the Issuer, then in office; or

(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 the Issuer (or any Successor Company) and its Restricted Subsidiaries, taken as a whole, to a Person (including any "person" as defined above), other than a Permitted Holder (or a group controlled by one or more Permitted Holders).

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline with respect to the Notes.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Competition Laws*" means any federal, state, foreign, multinational or supranational antitrust, competition or trade regulation statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition or effectuating foreign investment.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization and impairment expense;

(5) Parent Expenses;

(6) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by the Issuer;

(7) 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;

(8) the amount of management, monitoring, consultancy and advisory fees and related expenses or any payments for financial advisory, financing, underwriting or placement services or any payments pursuant to franchising agreements, business service related agreements or other similar arrangements paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*"; *provided* that any payments for such fees and related expense shall not be included in Consolidated EBITDA for any period to the extent they were accrued for in such period or any prior period and added back to Consolidated EBITDA in such period or any such prior period; and

(9) 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 the Issuer 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).

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of the Issuer 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 the Issuer and the Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;

(3) non-cash interest expense;

(4) dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer;

(5) the consolidated interest expense that was capitalized during such period;

(6) net payments and receipts (if any) pursuant to Hedging Obligations (other than Currency Agreements) (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations (other than Currency Agreements)); and

(7) any interest actually paid by the Issuer or any Restricted Subsidiary on Indebtedness of another Person that is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on assets of the Issuer or any Restricted Subsidiary.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to a Qualified Receivables Financing, (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iv) net payments and receipts (if any) pursuant to Currency Agreements (including unrealized mark to market gains and losses attributable to Hedging Obligations), and (v) any pension liability interest costs.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and the Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer'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 the Issuer 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 the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such

Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes, the Indenture, the Senior Credit Facility, the Existing Indentures, the Existing Notes, the Revolving Credit Facility, the Intercreditor Agreement and any Additional Intercreditor Agreement, (c) contractual or legal restrictions in effect on the Issue Date with respect to a Restricted Subsidiary, 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 the Issuer'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 the Issuer 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 the Issuer or any Restricted Subsidiary (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer of the Issuer) or returned surplus assets or any pension plan;

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves, gains or other costs related to the Transactions, and, to the extent not otherwise included in this clause (4): recruiting, retention and relocation costs; signing bonuses and related expenses and one time compensation charges; transaction and refinancing bonuses and special bonuses paid in connection with dividends and distributions to equity holders; start up, transition, strategic initiative (including any multi year strategic initiative) and integration costs, charges or expenses; costs, charges and expenses related to the start up, pre opening, opening, closure, and/or consolidation of operations, offices and facilities; business optimization costs, charges or expenses; costs, charges and expenses incurred in connection with new product design, development and introductions; costs and expenses incurred in connection with intellectual property development and new systems design; costs and expenses incurred in connection with implementation, replacement, development or upgrade of operational, reporting and information technology systems and technology initiatives; any costs, expenses or charges relating to any governmental investigation or any litigation or other dispute (including with any customer); costs and expenses in respect of warranty payments and liabilities related to product recalls or field service campaigns; or any fees, charges, losses, costs and expenses incurred during such period, or any amortization thereof for such period, in connection with or related to any acquisition, Restricted Payment, Investment, recapitalization, asset sale, issuance, incurrence, registration or repayment or modification of Indebtedness, issuance or offering of Capital Stock, refinancing transaction or amendment, modification or waiver in respect of the documentation relating to any such transaction and any charges or non recurring merger costs incurred during such period as a result of any such transaction;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;

(9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer 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 the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off; and

(13) the impact of capitalized, accrued or accreting or pay-in- kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means (A) the sum, without duplication, of the aggregate outstanding Senior Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"), less (B) the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) L2QA Pro Forma EBITDA; *provided*, *however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

For the avoidance of doubt, in determining Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made.

"*Consolidated Net Senior Secured Leverage*" means (A) the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted* Payments", Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"), less (B) the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis.

"*Consolidated Net Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Senior Secured Leverage at such date to (y) L2QA Pro Forma EBITDA; *provided*, *however*, that the *pro forma* calculation of the Consolidated Net Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

For the avoidance of doubt, in determining Consolidated Net Senior Secured Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Senior Secured Leverage Ratio is to be made.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer 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 Senior Credit Facility and the Revolving Credit Facility) 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 the Issuer 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 the Issuer 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 the Issuer, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer 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*".

"*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 the Issuer 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 the Issuer 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 the Issuer 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 the Issuer or (y) Capital Stock or other securities of a Parent or an Affiliate, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer 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 the Issuer or a Restricted Subsidiary; and

(5) any such sale that constitutes an Excluded Contribution.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" or "*€*" means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro ("*Other Currency*"), at any time of determination thereof by the Issuer or the Trustee, the amount of euros obtained by converting such Other Currency involved in such computation into euros at the spot rate for the purchase of euros with the Other Currency as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Monetary Union as of the date of the Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; provided that such member state has a long-term government debt rating of "A1" or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds and the fair market value (as determined in good faith by the Issuer) of property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Original Notes Issue Date or from the issuance or sale (other than to the Issuer, a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*Excluded Subsidiary*" means (1) any Subsidiary that is not a Wholly Owned Subsidiary of the Issuer, (2) any Subsidiary, including any regulated entity that is subject to net worth or net capital or similar capital and surplus restrictions, that is prohibited or restricted by applicable law, accounting policies or by contractual obligation existing on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements (or, with respect to any Subsidiary acquired by the Issuer or a Restricted Subsidiary after the Issue Date (and so long as such contractual obligation was not incurred in contemplation of such acquisition), on the date such Subsidiary is so acquired) from providing a Guarantee, or if such Guarantee would require governmental (including regulatory) or third party consent, approval, license or authorization, (3) any special purpose securitization vehicle (or similar entity), including any Receivables Subsidiary, (4) any not for profit Subsidiary, (5) any other Subsidiary with respect to which, in the reasonable judgment of the Issuer, the burden or cost (including any adverse tax consequences) of providing the Guarantee will outweigh the benefits to be obtained by the Holders therefrom and (6) each Unrestricted Subsidiary; provided, that any such Subsidiary that is an Excluded Subsidiary pursuant to clause (5) above shall cease to be an Excluded Subsidiary at any time such Subsidiary guarantees Indebtedness of the Issuer or any other Guarantor.

"*Existing Indentures*" means the indentures governing the Existing Notes each as may be amended or supplemented from time to time.

"*Existing Notes*" means the (i) \$2,400,000,000 aggregate principal amount of the Issuer's 4⅞% Senior Secured Notes due 2019, (ii) the €1,000,000,000 aggregate principal amount of the Issuer's 5⅜% Senior Secured Notes due 2022, (iii) the \$4,000,000,000 aggregate principal amount of the Issuer's 6% Senior Secured Notes due 2022, (iv) the €1,250,000,000 aggregate principal amount of the Issuer's 5⅝% Senior Secured Notes due 2024 and (v) the \$1,375,000,000 aggregate principal amount of the Issuer's 6¼% Senior Secured Notes due 2024.

"*fair market value*" wherever such term is used in the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in 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.

"*Group*" means the Issuer and its Restricted Subsidiaries.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business or any guarantee of performance. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means 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 (including the Initial Guarantors and the Additional Guarantors (if any)).

"*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.

"*IFRS*" means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the date hereof, or, with respect to the covenant described under the caption "Reports" as in effect from time to time, *provided* that at any date after the Issue Date, the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election (except with respect to the covenant described under the caption "Reports"). The Issuer shall give notice of any such election to the Trustee and the holders of the Notes.

"*Incremental Facilities*" means the credit facilities created or extended pursuant to (a) the Incremental Loan Assumption Agreement, dated as of July 20, 2015, among, *inter alios*, the Issuer, Numericable U.S. LLC, the lenders party thereto, and the administrative agent (as each are defined therein) and (b) the Incremental Loan Assumption Agreement, dated as of October 14, 2015, among, *inter alios*, the Issuer, Numericable U.S. LLC, the lenders party thereto, and the administrative agent (as each are defined therein).

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that other than in the case of any action being taken in connection with a Limited Condition Acquisition or an Irrevocable Repayment, which shall be governed by the provisions of "*—Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*", (1) any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by the Issuer or such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing and (2) any Indebtedness pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder; *provided further* that the Issuer in its sole discretion may elect that (x) any Indebtedness or portion thereof pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall be deemed to be "Incurred" at the time of entry into the definitive agreements or commitments in relation to any such facility and/or (y) any Indebtedness the proceeds of which are cash-collateralized shall be deemed to be "Incurred" at the time such proceeds are no longer cash-collateralized.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) 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);

(5) 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;

(6) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(7) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the

amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease or any Operating IRU), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations, (vi) receivables sold or discounted, whether recourse or non recourse, including, for the avoidance of doubt, any obligations under or in respect of Qualified Receivables Financing (including, without limitation, guarantees by a Receivables Subsidiary of the obligations of another Receivables Subsidiary and any indebtedness in respect of Limited Recourse), (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (x) any obligations to pay the deferred and unpaid purchase price for assets acquired or services supplied or otherwise owed to the Person from whom such assets are acquired or who supplies such services in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied, (xi) any payroll accruals, (xii) Indebtedness Incurred by the Issuer 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 the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such Indebtedness. For the avoidance of doubt and notwithstanding the above, the term “Indebtedness” excludes any accrued expenses and trade payables and any obligations under guarantees issued in connection with various operating and telecommunication licenses.

Subject to “*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*”, The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (5), (6) or (7) 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 the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(ii) for the avoidance of doubt, any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness;

(iv) Capitalized Lease Obligations; or

(v) franchise and performance surety bonds or guarantees.

“*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 Guarantors*" means the Guarantors under any of the Existing Indentures, as of the Issue Date.

"*Initial Public Offering*" means the Equity Offering of common stock or other common equity interests of the Issuer which was completed on November 8, 2013 as a result of which the shares of common stock or other common equity interests of the Issuer in such offering are listed on the Euronext Paris market of NYSE Euronext.

"*Intercreditor Agreement*" means the intercreditor agreement dated as of May 8, 2014 and made between (among others) the Issuer, the Guarantors, the Security Agent, the Facility Agent (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the trustees under the Existing Indentures, 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 the Issuer 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 the Issuer 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 third 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 the Issuer'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, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer'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 Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by the United Kingdom, a member state of the European Union, Switzerland, or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of “BBB” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when the Notes receive both of the following:

(1) a rating of “BBB–” or higher from S&P; and

(2) a rating of “Baa3” or higher from Moody’s,

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*Investor*” means Altice N.V. (or any of its successors) and the ultimate controlling shareholder of Altice N.V. on the Issue Date.

“*Investor Affiliate*” means (i) the Investor or any of his immediate family members, and any such persons’ respective Affiliates and direct and indirect Subsidiaries, (ii) any sponsor, limited partnerships or entities managed or controlled by the Investor or any of his immediate family, or any of such persons’ respective Affiliates and direct or indirect Subsidiaries, (iii) any trust of the Investor or any of his immediate family, or any of such persons’ respective Affiliates and direct or indirect Subsidiaries or any trust in respect of which any such persons is a trustee, (iv) any partnership of which the Investor or any of his immediate family, or any of such persons’ respective Affiliates or direct or indirect Subsidiaries is a partner that is managed or controlled by the Investor, any of his immediate family or any of such persons’ respective Affiliates or direct or indirect Subsidiaries, and (v) any trust, fund or other entity which is managed by, or is under the control of, the Investor or any of his immediate family, or any of such persons’ respective Affiliates or direct or indirect Subsidiaries, but excluding the Issuer or any of its Subsidiaries.

“*Irrevocable Repayment*” means any repayment, repurchase, redemption or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

“*Issue Date*” means , 2016.

“*Issuer*” means Numericable—SFR S.A., a French public limited liability company (*société anonyme*) with registered office at 1 square Béla Bartók, 75015 Paris, France.

“*L2QA Pro Forma EBITDA*” means as of any date of determination, Pro Forma EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available multiplied by 2.0.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*Limited Condition Acquisition*” means any Investment or acquisition by one or more of the Issuer and its Restricted Subsidiaries of any assets, business or Person whose consummation is not conditioned on the availability of, or on obtaining, third party financing.

“*Limited Recourse*” means a letter of credit, revolving loan commitment, cash collateral account, guarantee or other credit enhancement issued by the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) in connection with the incurrence of Indebtedness by a Receivables Subsidiary under a Qualified Receivables Financing; *provided* that, the aggregate amount of such letter of credit reimbursement obligations and the aggregate available amount of such revolving loan commitments, cash collateral accounts, guarantees or other such credit enhancements of the Issuer and its Restricted Subsidiaries (other than a Receivables Subsidiary) shall not exceed 25% of the principal amount of such Indebtedness at any time.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer 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 the Issuer, its Restricted Subsidiaries or any Parent (i) not to exceed an amount (net of repayments of any such loans or advances) equal to €20 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Management Advances made under this sub-clause (b) do not exceed €40 million in any fiscal year) or (ii) with the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €20 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer 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 the Issuer, any Restricted Subsidiary or any Parent.

"*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, the Issuer 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 the Issuer or any Restricted Subsidiary after such Asset Disposition; or (b) any purchase price adjustment or earn-out in connection with such Asset Disposition.

"*Net Cash Proceeds*" means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, any Incurrence of any Indebtedness or any sale of any asset, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means the Offering Memorandum in relation to the Notes dated , 2016.

"*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.

"*Operating IRU*" means an indefeasible right of use of, or operating lease or payable for lit or unlit fiber optic cable or telecommunications conduit or the use of either.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee, which opinion may contain customary assumptions and qualifications. The counsel may be an employee of or counsel to any Parent, the Issuer or any of their Subsidiaries.

"*Original Notes Issue Date*" means May 8, 2014.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of a Parent (excluding principal and interest under any such agreement or instrument relating to obligations of the Parent), the Issuer 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, the Issuer 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, the Issuer 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 the Issuer, 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 the Issuer or any of the Restricted Subsidiaries including acquisitions or dispositions by the Issuer 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 Parent or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions, or the ownership, directly or indirectly, by the Parent of Capital Stock or Subordinated Shareholder Funding of the Issuer;

(6) any fees and expenses required to maintain any Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent;

(7) to reimburse out-of-pocket expenses of the Board of Directors of any Parent and payment of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(8) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €10 million in any fiscal year;

(9) any Public Offering Expenses;

(10) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business; and

(11) franchise, excise and similar taxes and other fees, taxes and expenses, in each case, required for the Issuer to maintain its operations and paid by the Parent.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee of the Notes.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Payment Block Event*" means: (1) any Event of Default described in clause (1) or (2) of the first paragraph under "*—Events of Default*" has occurred and is continuing; (2) any Event of Default described in clause (6) under "*—Events of Default*" has occurred and is continuing; and (3) any other Event of Default has occurred and is continuing and the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes have declared all the Notes to be due and payable immediately (and such acceleration has not been rescinded). No Payment Block Event shall be deemed to have occurred unless the Trustee has delivered notice of the occurrence of such Payment Block Event to the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Permitted Collateral Liens*" means:

(1) Liens on the Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) (but in the case of clause (28), excluding any Additional Notes) of the definition of "Permitted Liens";

(2) Liens on the Notes Collateral to secure (a) Indebtedness that is permitted to be Incurred under sub-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 permitted to be secured on the Notes Collateral and specified in this definition of Permitted Collateral Liens), (4)(a), (5) (so long as, in the case of clause (5), on the date of Incurrence of such Indebtedness and after giving effect thereto on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, either (x) the Consolidated Net Senior Secured Leverage Ratio is no greater than 3.25 to 1.0 or (y) the Consolidated Net Senior Secured Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction), (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 (including a *pro forma* application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, the Consolidated Net Senior Secured Leverage Ratio is no greater than 3.25 to 1.0) and clause (16) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a) or (b), *provided*, *however*, that

(i) such Lien shall rank *pari passu* or junior to the Liens securing the Notes and the Note Guarantees (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement); (ii) in each case, all property and assets (including, without limitation, the Notes Collateral) securing such Indebtedness also secure the Notes or the Note Guarantees on a senior or *pari passu* basis (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement but no such Indebtedness shall have priority to the Notes over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral)); and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(3) Liens on any Senior Notes Proceeds Loans that secures Indebtedness of a Senior Notes Issuer (and Guarantees thereof) that is permitted to be Incurred under the covenants described under "*—Certain Covenants—Limitation on Indebtedness*", provided that, in the case of this clause (3), (x) the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement and (y) such Liens shall rank junior to the Liens securing the Notes and the Note Guarantees.

"*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 the Issuer, 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 the Issuer or any of the Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer 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, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary (including obligations of trade creditors and customers), or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or in compromise or resolution of any litigation, arbitration or other dispute;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and other Investments resulting from the disposition of assets in transactions excluded from the definition of "Asset Disposition" pursuant to the exclusions from such definition;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any modification, replacement, renewal or extension thereof; provided that the

amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted by the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred pursuant to clause (7) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(14) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(15) Investments in the Notes, any Additional Notes, the Existing Notes, the Term Loans or other Pari Passu Indebtedness of the Issuer or a Guarantor;

(16) (a) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and (b) Investments of a Restricted Subsidiary existing on the date such Person becomes a Restricted Subsidiary to the extent that such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary;

(17) Investments, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €390 million and 10% of L2QA Pro Forma EBITDA plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section *"—Certain Covenants—Limitation on Restricted Payments"*); *provided*, that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(18) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of €390 million and 10% of L2QA Pro Forma EBITDA at the time of such Investment plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section *"—Certain Covenants—Limitation on Restricted Payments"*) (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(19) Investments by the Issuer or a Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Financing, *provided, however*, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Financing or any such Person owning such Receivables; and

(20) Investments of all or a portion of the Escrowed Proceeds permitted under the relevant escrow agreement.

"*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 the Issuer 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 the Issuer 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 the Issuer and the Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer 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 the Issuer 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 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 the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(13) 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, including the issuance of the Notes and the application of the proceeds thereof;

(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 the Issuer 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 the Issuer 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 the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer 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 the Issuer 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 the Issuer 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 the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(30) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of €135 million and 3.5% of L2QA Pro Forma EBITDA;

(31) Liens consisting of any right of set-off granted to any financial institution acting as a lockbox bank in connection with a Qualified Receivables Financing;

(32) Liens for the purpose of perfecting the ownership interests of a purchaser of Receivables and related assets pursuant to any Qualified Receivables Financing;

(33) cash deposits or other Liens for the purpose of securing Limited Recourse;

(34) Liens arising in connection with other sales of Receivables permitted hereunder without recourse to the Issuer or any of its Restricted Subsidiaries;

(35) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(36) Liens (a) on any cash earnest money deposits or cash advances made by the Issuer or any of the Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted under the Indenture, or (b) on other cash advances in favor of the seller of any property to be acquired in an Investment or other acquisition permitted hereunder to be applied against the purchase price for such Investment or other acquisition;

(37) Liens or rights of set off against credit balances of the Issuer or any of the Restricted Subsidiaries with credit card issuers or credit card processors or amounts owing by such credit card issuers or credit card processors to the Issuer or any Restricted Subsidiaries in the ordinary course of business to secure the obligations of the Issuer or any Restricted Subsidiary to the credit card issuers or credit card processors as a result of fees and charges; and

(38) customary Liens of an indenture trustee on money or property held or collected by it to secure fees, expenses and indemnities owing to it by any obligor under an indenture.

"*Perpetual Subordinated Notes*" means the €24.4 million principal amount (excluding capitalized interest) of perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Pro forma EBITDA*" means, for any period, the Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, *provided* that for the purposes of calculating Pro forma EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate Pro forma EBITDA is such a Sale, Pro forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a Parent, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Pro forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer 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 the Issuer or a Restricted Subsidiary since the beginning of such period, Pro forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income, Consolidated Net Senior Secured Leverage Ratio and Consolidated Net Senior Leverage Ratio (a) whenever *pro forma* effect is to be given to any transaction (including, without limitation, transactions listed in clauses (1)-(3) hereof) or calculation hereunder or such other definitions, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer or an Officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)) (calculated on a *pro forma* basis as though such expense and cost reductions and synergies had been realized on the first day of the period for which Pro forma EBITDA is being determined and as though such cost savings, operating expense reductions and synergies were realized during the entirety of such period), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering, including the 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 the Issuer 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 the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

"*Purchase*" is defined in the definition of "Pro Forma EBITDA".

"*Purchase Money Note*" means a promissory note of a Receivables Subsidiary evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Financing with a Receivables Subsidiary, which deferred purchase price or line is repayable from cash available to the Receivables Subsidiary, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer 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 the Issuer 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 the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Notes in lieu of the ratings by Moody's or S&P.

"*Rating Date*" means the date which is 90 days prior to the earlier of (1) a Change of Control; and (2) public notice of the occurrence of a Change of Control or of the intention of the Issuer to effect a Change of Control.

"*Rating Decline*" means the decrease in the rating of the Notes by at least one of the Rating Agencies by one or more gradations (including gradations within rating categories as well as between rating categories) from its rating on the Rating Date or the withdrawal of a rating of the Notes by any of the Rating Agencies on, or within 60 days after, the earlier of the date of public notice of the occurrence of a Change of Control or of the intention of the Issuer to effect a Change of Control or the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration by any of the Rating Agencies).

If no Rating Agency announces an action with regard to its rating of the Notes after the occurrence of a Change of Control, the Issuer shall, or shall cause the Issuer to, request each Rating Agency to confirm its rating of the Notes before the end of such 60-day period.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer 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 the Issuer 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 the Issuer 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 the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer 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 the Issuer (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 the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings); (ii) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; (iii) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings except, in each case, Limited Recourse and Permitted Liens as defined in clauses (31) through (34) of the definition thereof;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results (other than those related to or incidental to the relevant Qualified Receivables Financing), except for Limited Recourse.

Any such designation by the Board of Directors of 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 the Issuer or any Restricted Subsidiary to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and tender premiums, costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is Incurred either by the Issuer or by a Guarantor,

provided, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer to any Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (ii) Indebtedness of the Issuer owing to and held by the Issuer or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge, or repayment of any such Credit Facility or other Indebtedness.

"*Related Taxes*" means, without duplication (including, for the avoidance of doubt, without duplication of any amounts paid pursuant to any Tax Sharing Agreement):

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

    (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Subsidiary of the Issuer);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiary of the Issuer;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiary of the Issuer; or

(e) having made any payment in respect to any of the items for which the Issuer 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 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 the Issuer and Subsidiaries of the Issuer would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and the Subsidiaries of the Issuer had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and the Subsidiaries of the Issuer.

"*Responsible Officer*" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of the Indenture and any other offices of the Trustee to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"*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 the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving facility agreement dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios,* the Issuer as borrower, the lenders from time to time party thereto, and the facility agent and security agent (as each are defined therein).

"*Rights Issue*" means the rights issue of ordinary shares with preferential subscription rights to existing shareholders by the Issuer in an aggregate amount of €4,732 million completed in November 2014.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Sale*" is defined in the definition of "Pro Forma EBITDA".

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Securitization Assets*" means (a) the account receivable, royalty or other revenue streams and other rights to payment and other assets related thereto subject to a Qualified Receivables Financing and the proceeds thereof and (b) contract rights, lockbox accounts and records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in a securitization financing.

"*Security Agent*" means Deutsche Bank AG, London Branch acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Notes Collateral as contemplated by the Indenture.

"*Senior Credit Facility*" means the Term Loan Credit Agreement, dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time (but solely for the purposes of clause 4(a) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*", excluding any incremental facilities other than the Incremental Facilities), among, *inter alios*, the Issuer, Ypso France SAS and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto, and the facility agent and security agent (as each are defined therein).

"*Senior Indebtedness*" means with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(a), (4)(b) and (4)(c), (5), (7), (14) or (16) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of the foregoing

"*Senior Notes Issuer*" means an issuer of Senior Subordinated Notes (as defined in the Intercreditor Agreement).

"*Senior Notes Proceeds Loan*" means any loan agreement entered into between a Senior Notes Issuer and the Issuer pursuant to which the Senior Notes Issuer lends to the Issuer all or substantially all of the net proceeds of any Incurrence of Indebtedness by the Senior Notes Issuer.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Senior Indebtedness that is secured by a Lien on the Notes Collateral on a basis *pari passu* with or senior to the security in favor of the Notes.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer'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 the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) if positive, the Issuer'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 the Issuer and the Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities (including marketing) engaged in by the Issuer or any of their Subsidiaries on the Issue Date, (b) telecommunications, broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto, and producing and selling any print, audio, video or other content and (c) any businesses, services and activities (including marketing) engaged in by the Issuer or any of their Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including, without limitation, Limited Recourse and those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment pursuant to a written agreement to the Note Guarantee of such Guarantor.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer 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 the Issuer 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 the Issuer 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.

"*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.

"*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.

"*Taxes*" has the meaning given to such term under "*Withholding Taxes*".

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

    (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America, (ii) Canada, (iii) the United Kingdom, (iv) any European Union member state, (v) Switzerland, (vi) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vii) 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 sub-clause (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 the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, the United Kingdom, Switzerland, any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America, Canada, Switzerland, the United Kingdom or a member state of the European Union eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Term Loans*" means any term loans extended to the Issuer pursuant to the Senior Credit Facility.

"*Transactions*" means the issuance of the Notes and the application of the proceeds thereof as described in the Offering Memorandum under "*Use of Proceeds*" and "*The Transactions*".

"Treasury Rate" means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly

available at least two (2) Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from such redemption date to ; *provided* that if the period from such redemption date to is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*U.S. Government Obligations"* means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, rated at least "*A-1*" by S&P or "*P-1*" by Moody's, and which are not callable or redeemable at the option of the issuer thereof.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the 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, the Issuer or any other Subsidiary of the Issuer 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 the Issuer and the Restricted Subsidiaries in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

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 complies with the foregoing conditions.

The Board of Directors of the Issuer 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 sub-clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Net Leverage Ratio would be no higher than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means (1) in respect of any Person, a Person, all of the Capital Stock of which (other than (a) directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law, regulation or to ensure limited liability and (b) in the case of a Receivables Subsidiary, shares held by a Person that is not an Affiliate of the Issuer solely for the purpose of permitting such Person (or such Person's designee) to vote with respect to customary major events with respect to such Receivables Subsidiary, including without limitation the institution of bankruptcy, insolvency or other similar proceedings, any merger or dissolution, and any change in charter documents or other customary events) is owned by that Person directly or (2) indirectly by a Person that satisfies the requirements of clause (1).

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes”) and will be deposited, on the Issue Date with the Trustee, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Notes sold within the United States to “qualified institutional buyers” pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”) and will be deposited, on the Issue Date with the Trustee, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the 144A Global Notes (the “144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interests” and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC or persons that may hold interests through its participants. Beneficial interests in the Regulation S Global Notes will initially be credited within DTC to Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”), on behalf of the owners of such interests. Holders of Regulation S Book-Entry Interests may hold such directly through Euroclear or Clearstream, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants (including, if applicable, Euroclear and Clearstream). The Book-Entry Interests in the Global Notes will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant (including, if applicable, Euroclear and Clearstream). The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of the Notes, under the Indenture for any purpose.

So long as the Notes are held in global form, the custodian for DTC (or its respective nominee) will be considered the sole holder of Global Notes for all purposes under the Indenture. As such, direct and indirect participants must rely on the procedures of DTC, and the participants through which they own Book-Entry Interests (including, if applicable, Euroclear and Clearstream), in order to exercise any rights of holders under the Indenture.

Neither the Issuer, the Registrar, the Trustee, as custodian for DTC nor the Trustee under the Indenture nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the “Definitive Registered Notes”):

(1) if DTC notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by such Issuer within 120 days;

(2) if DTC so requests following an event of default under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC following an event of default under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as referred to in "*Notice to Investors*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Transfer 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. Ownership of the applicable Global Notes will be evidenced through registration from time to time in the register maintained by the Registrar, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC or its participants (including, if applicable, Euroclear and Clearstream).

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, if fewer than all of the Notes are to be redeemed at any time, DTC will credit its respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than $200,000 principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to DTC or its nominee, which will then distribute such payments to participants in accordance with their respective customary procedures.

Under the terms of the Indenture, the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holders of the applicable Global Notes (i.e., the nominee of DTC) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent or the Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant or for maintaining, supervising or reviewing the records of DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant; or
- the records of the common depositary or the custodian.

Payments made by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name".

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes (each a "Holder") through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, a Holder may elect to receive payments in respect of the Global Notes in euro. If so elected, a Holder may receive payment of amounts payable in respect of its interest in the Global Notes in euro in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such Holder's election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such Holder.

Action by Owners of Book-Entry Interests

DTC has advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, DTC reserves the right to exchange the applicable Global Notes for Definitive Registered Notes in certificated form and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*".

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the "40 day Period"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40 day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available).

Subject to the foregoing, and as set forth in "*Notice to Investors*", Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and Exchange*". Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*".

Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning DTC

All Book-Entry Interests will be subject to the operations and procedures of DTC. 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. None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is (i) a limited purpose trust company organized under New York Banking Law, (ii) a "banking organization" within the meaning of New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the New York Uniform Commercial Code and (v) a "clearing agency" registered pursuant to the provision of Section 17A of the U.S. Exchange Act.

DTC holds and provides asset servicing for issues of U.S. and non U.S. equity issues, corporate and municipal debt issues and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities through electronic book-entry transfers and pledges between direct participants' accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Because DTC can only act on behalf of participants (including, if applicable, Euorclear and Clearstream), who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market thereof and to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time.

Neither the Issuer, the Trustee, the Registrar, the Transfer Agent nor the Paying Agent will have any responsibility for the performance by DTC or its respective direct participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC Holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Application will be made to the Luxembourg Stock Exchange for the 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 Notes will also be settled in immediately available funds.

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Although DTC currently follows the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility for the performance by DTC or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

NOTICE TO INVESTORS

The Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Notes are being offered, sold and issued to (i) in the United States, to "qualified institutional buyers" in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) outside of the United States, to "non U.S. persons" as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) You are not acting on behalf of the Issuer and you (A) (i) are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the Issuer's and Trustee's right prior to any such offer, sale or transfer pursuant to this clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to them, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you or it of the resale restrictions referred to the legend below.

(3) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than by the Issuer with respect to the information contained in 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 Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes Collateral Documents and the Notes as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You also acknowledge that:

  (a) the Issuer and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of Notes under the paragraph two above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and

  (b) each Global Note will contain a legend substantially to the following effect:

  THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION

HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S UNDER THE U.S. SECURITIES ACT)], ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT IN THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN, (1) EITHER (A) THE ACQUIRER OR TRANSFEREE IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975

OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THIS NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THIS NOTE, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THIS NOTE AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THIS NOTE.

(c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE ISSUER, C/O NUMERICABLE-SFR S.A., 1 SQUARE BÉLA BARTOK, 75015 PARIS, FRANCE, ATTN: CHIEF FINANCIAL OFFICER.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify such Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.

(3) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of the Notes issued under Rule 144A under the U.S. Securities Act) or 40 days (in the case of the Notes issued under Regulation S under the U.S. Securities Act) after the later of the closing date and the last date that the Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends.

(5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to such Issuer, the Notes in any jurisdiction where action for the purpose is

required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and/or in the front of this Offering Memorandum under "*Notice to Investors in France*", "*Notice to U.K. Investors*", "*Notice to Luxembourg Investors*", "*Notice to Investors in Canada*" and/or under "*Plan of Distribution*" or "*Certain Employee Benefit Plan Considerations*".

ERISA Considerations

By acquiring the Notes, you will be deemed to have further represented and agreed as follows:

With respect to the acquisition, holding and disposition of the Notes or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended ("Code"), applies, or any entity whose underlying assets include "*plan assets*" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "Benefit Plan Investor"), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such a governmental, church or non-U.S. plan or (ii) your acquisition, holding and disposition of such Notes, or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws) and (B) neither the Issuer nor any of its affiliates is a Fiduciary (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non-U.S. plan, any definition of "*fiduciary*" under Similar Laws) with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "Plans"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code ("Similar Laws").

Each of us, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of us, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan's acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption ("PTE") 84–14, regarding transactions effected by a "qualified professional asset manager"; PTE 90–1, regarding investments by insurance company pooled separate accounts; PTE 91–38, regarding investments by bank collective investment funds; PTE 95–60, regarding investments by insurance company general accounts and PTE 96–23, regarding investments by certain "in house asset managers". In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

Under ERISA and a regulation issued by the U.S. Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulation"), the assets of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the Investment Company Act will be deemed to constitute "plan assets" for the purposes of ERISA and the Code if a "Benefit Plan Investor" (within the meaning of Section 3(42) of ERISA) acquires an "equity interest" in the entity and none of the exceptions contained in the Plan Asset Regulation is applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Under the exceptions in the Plan Asset Regulation, an entity will not be deemed to hold plan assets if (i) participation in the entity by Benefit Plan Investors is not "significant" (e.g., Benefit Plan Investors hold less than 25% of each class of equity interest in the entity), or (ii) the entity is an operating company, including a "venture capital operating company" or "real estate operating company".

Although there is little guidance on the subject, it is anticipated that, at the time of their issuance, the Notes may be treated as equity interests of the Issuer for purposes of the Plan Asset Regulation. While there can be no guarantee that the assets of the Issuer will not be deemed to include plan assets, it is expected that the Issuer will be an operating company for purposes of the Plan Asset Regulations.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON U.S. PLAN, A NON EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID AB INITIO.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, Section 401(c) of ERISA and the U.S. Department of Labor regulation at 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The sale of any Note or any interest therein to a Plan or a governmental, church or non U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in 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 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.

CERTAIN TAX CONSIDERATIONS

Certain Luxembourg Tax Considerations

The following is a summary of certain Luxembourg material tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the Notes. It should be read in conjunction with "*Risk Factors*". It is based on the laws, regulations, and administrative and judicial interpretations presently in force in Luxembourg, although it is not intended to be, nor should it be construed to be, legal or tax advice or to cover any and all types of investors. Potential investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax and net wealth tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax and municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

(i) Nonresident Noteholders

The European Union Savings Directive (Council Directive 2003/48/EC of June 3, 2003, on taxation of savings income in the form of interest payments, the "EU Savings Directive") has been repealed by the Directive 2015/2060/EC of November 10, 2015, with effect as from 1 January 2016.

Payments of interest by Luxembourg Paying Agent to non-resident individual Noteholders and to certain residual entities are not subject to any Luxembourg withholding tax.

(ii) Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the "December Law"), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holder of Notes, nor on accrued but unpaid interest in respect of the Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December Law, payments of interest or similar income made by a paying agent (within the meaning of the December Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident Investor may be subject to a final tax of 10%. Such tax will be in full discharge of income tax if the individual beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax will be assumed by the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the December Law) who is a resident of Luxembourg may opt in accordance with the December Law to self declare and pay a final tax of 10% when he/she receives such interest or similar income from a paying agent established in another EU Member State, in a member state of the EEA which is not an EU Member State or in a state which has concluded a treaty directly in connection with the EU Savings Directive. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident Paying Agent. The option for the 10% final levy must cover all payments of interest or similar income made by the Paying Agent to the Luxembourg resident beneficial owner or, under certain circumstances, to a Residual Entity established in another EU Member State, during the entire civil year. The individual resident who is the beneficial owner of interest is responsible for the declaration and the payment of the 10% final tax.

On February 29, 2016, the Luxembourg Government presented its 2017 tax reform increasing the final withholding tax levied on savings income of Luxembourg residents from the current rate of 10% to 20% as of 2017. This measure has not been voted yet therefore resident Noteholders should consult their personal tax advisor in due course.

Income Taxation

(i) Nonresident Noteholders

Nonresident Noteholders, not having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Nonresidents holders who have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal of the Notes.

(ii) Resident Noteholders

Individuals

A resident Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest or similar income received, redemption premiums or issue discounts, under the Notes, except if tax has been levied on such payments in accordance with the December Law.

A gain realized by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

Gains realized upon a disposal of the Notes by an individual Noteholder acting in the course of the management of a professional or business undertaking and who is resident of Luxembourg for tax purposes are subject to Luxembourg income taxes.

Corporations

A corporate resident Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A Noteholder that is governed by the law of May 11, 2007 as amended, on family estate management companies (*société de gestion de patrimoine familial*) or by the law of December 17, 2010 (amending the law of December 20, 2002), on undertakings for collective investment, or the law of February 13, 2007 on specialized investment funds (as amended), is neither subject to Luxembourg income tax (i.e., corporate income tax, municipal business tax and net wealth tax) in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

Net Wealth Taxation

Individuals

An individual Noteholder, whether he/she is resident in Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Corporations

A Luxembourg resident corporate Noteholder as well as a non-Luxembourg resident Noteholder which maintains a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which such Notes or income thereon are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is a family estate management company (*société de gestion de patrimoine familial*) introduced by the law of May 11, 2007 (as amended), an undertaking for collective investment governed by the law of December 17, 2010 (amending the law of

December 20, 2002), a securitization vehicle governed by and compliant with the law of March 22, 2004 on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles, or a specialized investment fund governed by the law of February 13, 2007 on specialized investment funds (as amended).

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply (i) upon voluntary registration of the Notes in Luxembourg, (ii) in the case of legal proceedings before Luxembourg courts or (iii) in the case that the documents relating to the Notes issuance must be produced before an official Luxembourg authority ("*autorité constitutée*").

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

EU Savings Directive

The EC Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments (the "Savings Directive") requires that the competent authorities of each EU Member State (each a "Member State") provide the competent authorities of another Member State with details of certain payments of interest and other similar income within the meaning of the Directive paid by a paying agent within its jurisdiction to (or under certain circumstances, secured by such a person for the benefit of) an individual resident in, or certain limited types of entities established in, that other Member State. Austria however imposes instead a withholding system in relation to such payments for a transitional period, unless during such period it elects otherwise. Under such a withholding system, the beneficial owner of the interest payment may, on meeting certain conditions, request that no tax be withheld and elect instead for an exchange of information procedure. The rate of withholding is 35%.

On November 10, 2015, the Council of the European Union adopted a Council Directive 2015/2060/EU repealing the Savings Directive with effect as from January 1, 2017 in the case of Austria and with effect as from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before that date).

The repeal of the Savings Directive primarily aimed to avoid overlap between such Directive and the Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU) (the "DAC"), pursuant to which Member States are generally required to apply new measures on mandatory automatic exchange of information from January 1, 2016. Austria received a derogation and is allowed to start applying the DAC one year later than the other Member States, but announced that it will not make full use of this derogation. The new regime under the DAC is aligned with the single global Standard for Automatic Exchange of Financial Account Information in Tax Matters developed and released by the Organization for Economic Co-operation and Development in July 2014. The DAC is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their jurisdiction to, or collected by such person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information arrangements or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such person for, an individual resident in one of those territories. Some of those measures have been revised to be aligned with the DAC and other such measures may be similarly revised in the future.

Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive and the DAC on their investment.

Certain French Tax considerations

The following is a summary of certain material French tax considerations relating to the purchase, ownership and disposition of the Notes by an investor who is not a French tax resident for French tax purposes, who does not hold the Notes in connection with a permanent establishment or a fixed base in France and who is neither a shareholder of the Issuer nor a related party of the Issuer within the meaning of Article 39.12 of the French Tax Code (*Code général des impôts*) (the "FTC").

This summary is based on the French tax law and regulations in effect and as applied by the French tax authorities on the date of this Offering Memorandum, all of which are subject to change, possibly with retroactive effect, or to different interpretations.

This summary is for general information only and does not purport to be a comprehensive description of all of the French tax considerations that may be relevant to any prospective investor.

Prospective investors in the Notes are urged to consult their own professional tax advisors as to the French tax consequences of purchasing, owning and disposing of the Notes in light of their particular circumstances.

EU Savings Directive

The Savings Directive was implemented into French law under Articles 199 *ter* and 242 *ter* of the FTC. Article 242 *ter* of the FTC imposes on Paying Agent based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Payments of interest and other revenues with respect to the Notes

Payments of interest and assimilated revenues made by a debtor which is established in France with respect to a particular debt (including debt in the form of notes as the Notes) are not subject to the withholding tax set forth under Article 125 A III of the FTC unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the FTC (a "Non-Cooperative State"). If such payments are made in a Non-Cooperative State, a 75% withholding tax is applicable (subject to certain exceptions, certain of which are set forth below and to the more favorable provisions of any applicable double tax treaty). The 75% withholding tax is applicable irrespective of the tax residence or registered headquarters of the holders of the Notes. The list of Non-Cooperative States is published by a ministerial executive order (*arrêté*) which is updated yearly.

Furthermore, according to Article 238 A of the FTC, interest on debt and assimilated revenues paid by a debtor or an issuer of notes that is established in France will not be deductible from the debtor's or the issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid on an account opened in a financial institution established in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest or other revenues may be re characterized as constructive dividends pursuant to Article 109 *et seq.* of the FTC, in which case it may be subject to the withholding tax set out under Article 119 *bis* 2 of the FTC, at a rate of 30% or 75% (subject to the more favorable provisions of any applicable double tax treaty).

Notwithstanding the foregoing, neither the 75% withholding tax provided by Article 125 A III of the FTC, nor, to the extent the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, the non-deductibility of the interest or other revenues pursuant to Article 238 A of the FTC and the withholding tax set out under Article 119 *bis* 2 of the FTC which may be levied as a consequence of such non-deductibility, will apply in respect of a particular issue of debt instruments (including debt in the form of notes as the Notes), provided that the debtor or the issuer can prove that the main purpose and effect of such issuance is not to enable payments of interest or other revenues to be made in a Non-Cooperative State (the "Exception").

Pursuant to French administrative guidelines—*Bulletin Officiel des Finances Publiques—Impôts* BOI-INT-DG-20-50-20140211 n°550 and n°990—(the "Administrative Guidelines"), an issue of debt securities benefits from the Exception without the issuer having to provide any evidence supporting the main purpose and effect of such issuance of debt securities (the "Safe Harbor"), if such notes are:

- offered by means of a public offering within the meaning of Article L.411-1 of the French *Code monétaire et financier* (French Monetary and Financial Code) or pursuant to an equivalent offer in a State other than a Non-Cooperative State (for this purpose, an "equivalent offering" means any offering requiring the registration or submission of an offering document by or with a foreign securities market authority);

- admitted to trading on a French or foreign regulated market or on a multilateral financial instruments trading facility, provided that such market or facility is not located in an Non-Cooperative State and that such market is operated by a market operator, an investment services provider, or by such other similar foreign entity that is not located in a Non-Cooperative State; or
- admitted, at the time of their issuance, to the operations of a central depositary or of a securities clearing and delivery and payment systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators, provided that such depositary or operator is not located in a Non-Cooperative State.

The Notes issued by the Issuer under this Offering Memorandum qualify as debt securities under French commercial law. Considering that the Notes will be admitted, at the time of their issuance, to the clearing operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French *Code monétaire et financier* which is not located in a Non-Cooperative State, payments made by the Issuer in respect of the Notes to their holders will benefit from one of the above mentioned exceptions and consequently will be exempt from the withholding tax set out under Article 125 A III of the FTC.

Moreover, under the same conditions and to the extent that the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, interest and other revenues paid by the Issuer to the holders of the Notes in respect of the Notes will not be subject, pursuant to the Administrative Guidelines, to the related non-deductibility rule set forth under Article 238 A of the FTC and, as a result, will not be subject to the withholding tax set forth under Article 119 *bis* 2 of the FTC solely on account of their being paid or accrued to a person domiciled or established in a Non-Cooperative State or paid on an account opened in a financial institution established in such a Non-Cooperative State.

Taxation on disposal

A holder of a Note who is not a resident of France for French tax purposes and who does not hold the Notes in connection with a permanent establishment or a fixed place of business in France should not be subject to any income or withholding taxes in France in respect of the gains realized on the sale, disposal or other disposition of the Notes.

Transfer tax

No transfer taxes or similar duties are payable in France in connection with the transfer of Notes, except in the case of filing with the French tax authorities on a voluntary basis.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Notes by a U.S. Holder thereof as defined below. This description only applies to Notes held as capital assets (generally, property held for investment) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- individual retirement accounts or other tax deferred accounts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;

- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or
- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, in each case, the first price to the public at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax considerations described herein. No opinion of counsel to the Issuer or the holders or ruling from the Internal Revenue Service ("IRS") has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Redemptions and Additional Amounts

In certain circumstances, the Issuer may be obligated to or may elect to make payments in excess of stated interest or principal of the Notes and/or redeem the Notes in advance of their stated maturity. The Issuer believes, and intends to take the position, if required, that the Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments or redemption. This position is based in part on assumptions, as of the date of issuance of the Notes, (1) regarding the likelihood that such payments will have to be paid or that the Issuer will elect to pay such amounts and/or (2) relating to the expected yield to maturity of the Notes. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in "*—Sale, Exchange, Retirement or Other Taxable Disposition*" and any payments of additional amounts in respect of withholding taxes would be taxable as additional ordinary income when received or accrued, in accordance with such holder's method of accounting for U.S. federal income tax purposes. The Issuer's position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to the Issuer's position, which could affect the timing and character of a U.S. Holder's income with respect to the Notes. U.S. Holders should consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

Stated Interest

Stated interest paid on the Notes generally will be treated as "qualified stated interest." Payments of qualified stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes, as detailed below. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer), or that is treated as constructively received, at least annually at a single fixed rate.

Interest (including original issue discount ("OID"), if any, as described below) included in a U.S. Holder's gross income with respect to the Notes 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 generally should constitute "passive category income", or in the case of certain U.S. Holders, "general category income". Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to the U.S. Holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Original Issue Discount

The Notes may be treated as issued with OID for U.S. federal income tax purposes. A Note will be treated as having been issued with OID for U.S. federal income tax purposes if its "stated redemption price at maturity" exceeds its issue price by at least the "OID *de minimis* amount". The OID *de minimis* amount equals $^1/_4$ of 1% of the debt instrument's stated redemption price at maturity multiplied by the number of complete years from its issue date to maturity. The "stated redemption price at maturity" of a Note is the sum of all payments required to be made on the Note other than qualified stated interest payments.

If a Note is issued with OID a U.S. Holder generally will be required to include OID in income before the receipt of the associated cash payment, regardless of the U.S. Holder's accounting method for tax purposes. The amount of OID with respect to a Note that a U.S. Holder must include in income is the sum of the "daily portions" of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the Note. The daily portion is determined by allocating a pro rata portion of the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the excess of (1) the product of the "adjusted issue price" of the Note at the beginning of the accrual period and its yield to maturity (computed on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) over (2) the amount of any stated interest allocable to the accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the Note that were not stated interest. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. Under applicable U.S. Treasury Regulations, a U.S. Holder of a Note with OID may elect to include in gross income all interest (including stated interest) that accrues on the Note using the constant yield method described above. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Issuer, c/o Numericable-SFR S.A., 1 square Béla Bartók, 75015 Paris, France, Attn: Chief Financial Officer.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Possible Effect of Certain Transactions Including Reorganizations, Mergers and Consolidations

The Issuer may engage in certain transactions, including reorganizations, mergers and consolidations as described above under "*Description of Notes—Merger and Consolidation*". Depending on the circumstances, a change in the obligor of the Notes as a result of the transaction could result in a deemed taxable exchange to a U.S. Holder and the modified Note could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss.

The Issuer may be required to report certain information regarding such transaction that may be relevant to U.S. Holder either (1) by filing Form 8937 with the IRS and providing copies to certain of its Holders or (2) by posting the form on its website.

Sale, Exchange, Retirement or Other Taxable Disposition

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note.

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition of the Note (less any amounts attributable to accrued but unpaid interest, which will be subject to tax in the manner described above under "*—Stated Interest*" to the extent not previously so taxed), and the U.S. Holder's adjusted tax basis in the Note.

Any gain or loss recognized on the sale, exchange, retirement, or other taxable disposition of a Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder generally is taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, Notes and to proceeds from the sale, exchange, retirement or disposition of Notes that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Note to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale, exchange, retirement or disposition to a holder of a Note that is not a U.S. person generally are subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

FATCA

Sections 1471 through 1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, "FATCA") generally may impose withholding at a rate of 30% on payments ("foreign passthru payments") made to any foreign entity (whether such foreign entity is a beneficial owner or an intermediary) on certain debt obligations issued by a foreign financial institution that (i) enters into certain agreements with the IRS or (ii) becomes subject to provisions of local law intended to implement an intergovernmental agreement entered into pursuant to FATCA, in each case to the extent such payments are attributable to U.S. source income, unless the foreign entity receiving such payments complies with various U.S. information reporting and/or due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with such foreign entity) or otherwise qualifies for an exemption. Withholding on payments on debt obligations issued by foreign financial institutions generating non-U.S. source interest, will not occur before 2019. Furthermore, such obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining foreign passthru payments are filed generally would be "grandfathered" from FATCA unless materially modified after such date. No final regulations defining foreign passthru payments have been issued and, therefore, the Notes are not subject to the FATCA rules (including the withholding rules) described above. If, however, the Notes are materially modified at a time when the grandfathering rules are no longer available (i.e., more than six months after the date final regulations define a "foreign passthru payment") withholding could apply and holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for such withholding. In addition, if additional Notes are issued after the expiration of the grandfathering period and have the same ISIN or CUSIP as the Notes issued hereby, then withholding agents may treat all notes, including the Notes issued hereby, as subject to withholding under FATCA. Holders should consult their tax advisors regarding the availability of a refund in that circumstance. An intergovernmental agreement between the United States and a foreign country where a holder or intermediary is located may modify the requirements in this paragraph. Holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement") by and among, *inter alios* the Issuer and the Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, the Notes in an aggregate principal amount of $2,250 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue price indicated on the cover page hereof. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates. Sales in the United States will be made through affiliates of the Initial Purchasers, which are registered with the SEC as U.S. registered broker dealers.

In the Purchase Agreement, the Issuer has agreed that:

- subject to certain exceptions, neither the Issuer nor any of its subsidiaries will offer, sell, contract to sell or otherwise dispose of any of their debt securities, or guarantee such debt securities (other than the Notes, the Guarantees and any intercompany debt), without the prior written consent of the Representatives (as defined therein), for a period of 30 days after the date of the final Offering Memorandum; and
- the Issuer will indemnify the Initial Purchasers and their respective affiliates against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

Each purchaser of Notes offered by this Offering Memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Notice to Investors*".

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale within the United States of Notes initially sold in reliance on Regulation S by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*".

The 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.

In the Purchase Agreement, each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to such Initial Purchaser or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Investors*".

The Initial Purchasers and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities, and there is currently is no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "*Notice to Investors*". The Issuer will apply for the Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange*".

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion without notice. In addition, such market-making activities will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell which will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each Initial Purchaser has also agreed in the Purchase Agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Memorandum, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force.

In connection with the offering, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers and/or their respective affiliates from time to time have provided in the past and may enter into in the future investment banking, financial advisory and/or lending and commercial banking transactions with, and/or may perform other services for, to us and/or our affiliates in the ordinary course of business for which they have received or may receive customary fees, commissions and reimbursement of expenses (including acting as initial purchasers and/or lenders in connection with previous issuances of debt securities and debt facilities of the Issuer). In connection with our strategy to review and evaluate selective acquisitions and other business combinations, we and our shareholders regularly engage mergers and acquisition advisors and other financial advisors to assist us. Certain of the Initial Purchasers and their affiliates may be currently advising us or other interested parties, and the Initial Purchasers and their affiliates may advise us or other interested parties from time to time on other transactions in the future. In addition, certain of the Initial Purchasers or their affiliates are party to certain of our hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions in us, our current or future subsidiaries and affiliates and/or financial intermediaries and the financial instruments issued by any of them.

Depending on market conditions, the Initial Purchasers may decide to initially purchase and hold a position of the Notes for their own account.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes. Trades in the secondary market generally settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding United States business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Altice or its controlling shareholder or any of their respective affiliates may purchase Notes in the offering at a purchase price per Note equal to the issue price set forth on the cover page of this Offering Memorandum. The purchase agreement between the Issuer and the Initial Purchasers will not restrict the ability of Altice or its controlling shareholder or any of their respective affiliates to buy or sell Notes in the future and, as a result, Altice or its controlling shareholder or any of their respective affiliates may buy or sell the Notes in open market transactions at any time following the consummation of the offering of the Notes.

In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (and/or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investments and securities activities may involve securities and/or instruments of the Issuer. The Initial Purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS AND INSOLVENCY LAWS OF CERTAIN JURISDICTIONS

The following is a summary of certain limitations on the enforceability of the Guarantees and the Notes Collateral in each of the jurisdictions in which the Issuer and the Guarantors are organized and a general discussion of insolvency proceedings governed by Luxembourg and French law for informational purposes only. It does not address all the Luxembourg and French legal considerations that may be relevant to holders.

European Union

Pursuant to Council Regulation (EC) 1346/2000 on insolvency proceedings, as amended (the "Insolvency Regulation"), which applies within the European Union (other than Denmark), the courts of the Member State in which a debtor's "center of main interests" (as that term is used in Article 3(1) of the Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the Insolvency Regulation that a debtor has its center of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the Insolvency Regulation states that the center of main interests of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis, which is therefore ascertainable by third parties". The courts have taken into consideration a number of factors in determining the center of main interests of a debtor, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. A debtor's center of main interests is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the center of main interests of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under the Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Insolvency Regulation. Insolvency proceedings commenced in one Member State under the Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If the center of main interests of a debtor is in a Member State (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(h) of the EU Insolvency Regulation) in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the debtor carries on non-transitory economic activity with human means and goods.

Where main proceedings have been commenced in the Member State in which the debtor has its center of main interests, any proceedings commenced subsequently in another Member State in which the debtor has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex B of the Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its center of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are commenced at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's center of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

A new Council Regulation (EC) no. 2015/848 of May 20, 2015 on insolvency proceedings (the New EU Insolvency Regulation) came into force on 26 June 2015 and will gradually replace the Insolvency Regulation, but its main provisions will only become effective on 26 June 2017. One of the main changes introduced by the New EU Insolvency Regulation consists in an increased scrutiny in situations where there has been a recent COMI shift. Where a company's COMI has shifted in the preceding 3 months the rebuttable presumption that its COMI is at the place of its registered office will no longer apply. Also, the opening of secondary proceedings in another EU Member State – which will no longer be limited only to "winding-up proceedings"—will be possible not only if the debtor has an establishment in such EU Member State at the time of the opening of main insolvency proceedings, but also if the debtor had an establishment in such EU Member State in the 3-month period prior to the request of opening of main insolvency proceedings.

France

French insolvency laws

The Issuer is incorporated under the laws of France and as such any insolvency proceedings applicable to such a company are in principle governed by French law. The insolvency laws of France may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency proceedings governed by French law.

French laws and proceedings affecting creditors include debt rescheduling pursuant to Articles 1244-1 *et seq*. of the French Civil Code (*Code civil*), court-assisted proceedings (*mandat ad hoc* and *procédure de conciliation*) and court-administered proceedings being either safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), accelerated financial safeguard proceeding (*procédure de sauvegarde financière accélérée*) and judicial reorganization or liquidation proceedings (*procedure de redressement* or *procedure de liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors.

Under the Insolvency Regulation, if a debtor is incorporated in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is situated in France. In the case of a company or legal person, the place of its registered office is presumed to be the center of main interests in the absence of proof to the contrary. 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.

General Considerations

Grace periods. Pursuant to Articles 1244-1 *et seq.* of the French Civil Code, French courts may, in any civil or commercial proceedings involving a debtor, whether initiated by the debtor or the creditor thereof, after 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 that is lower than the contractual rate (but not lower than the "legal" rate which is set every year by decree and which is currently 0.04% per annum) or that payments made shall discharge principal before interest. If a court order is made under Articles 1244-1 *et seq.* of the French Civil Code, it will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

With respect to grace periods under Articles 1244-1 *et seq*. of the French Civil Code, pursuant to Article L. 611-7 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement.

Out-of-court and in-court proceedings. French law distinguishes between:

- **court-assisted proceedings** (*mandat ad hoc* and *conciliation*), which are voluntary proceedings in which the debtor seeks the help of a third party to negotiate an agreement with all or part of its creditors and stakeholders that puts an end to its difficulties with a view to, in particular, restructuring its indebtedness. These proceedings are confidential. The third party is appointed by the President of the competent commercial court upon proposal of the debtor company but the discussions themselves are conducted outside the court; and
- **court-administered proceedings** (*procédures collectives*), which are proceedings, during which payments by the debtor and legal actions by the creditors are suspended (automatic stay). These proceedings are public and involve all creditors (except for accelerated financial safeguard proceedings, as discussed below). Within this second category, French law further distinguishes between:
- *safeguard proceedings, accelerated safeguard proceedings and accelerated financial safeguard proceedings*, which are voluntary proceedings and available to debtors that are facing difficulties they cannot overcome but that are not insolvent (as defined below); and
- *judicial reorganization or judicial liquidation proceedings*, which are mandatory proceedings and must be opened by debtors that are insolvent.

Insolvency test. Under French law, a company is considered to be "insolvent" (*en état de cessation des paiements*) when it is unable to pay its debts as they fall due with its available assets, taking into account available credit lines, existing rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the insolvency proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling.

A company is required to petition for judicial reorganization or judicial liquidation proceedings within 45 days of becoming insolvent unless it has previously petitioned for *conciliation* proceedings within the same 45-day period; *de jure* managers (including directors) and, as the case may be, *de facto* managers are exposed to civil liability if the company fails to do so.

Court-assisted Proceedings

Mandat ad hoc. Only a company that is facing any type of difficulties may petition the President of the competent commercial court for the appointment of an ad hoc agent (*mandataire ad hoc*). The order of the president of the court appointing a *mandataire ad hoc* is notified for information purposes to the debtor's auditors. The proceedings are not limited in time and the scope of work of the ad hoc agent is determined by the court. The ad hoc agent has no legal coercive power over the creditors. The restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement. Creditors are not barred from taking legal action against the company to recover their claims but, in practice, those that have accepted to take part in the proceedings usually accept not to do so. If the negotiations are successful, the parties typically enter into a restructuring agreement which is confidential and not sanctioned by the commercial court although the agreement reached is reported to 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 above.

Conciliation Proceedings. Only a company may voluntarily file for the opening of conciliation proceedings (*procédure de conciliation*), provided it (i) is not insolvent, or has been insolvent for less than 45 days and (ii) experiences or anticipates legal, economic or financial difficulties. The proceedings may last up to four months (with the *conciliateur* being able to request a one month extension). As for the *mandat ad hoc*, the commercial court will appoint a third party (*conciliateur*) which has no coercive power, any agreement between the debtor and its creditors being negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. During the proceedings, creditors may continue to sue individually for payment of their claims but they usually accept not to do so. In addition, the debtor retains the right to petition the judge which commenced the conciliation proceedings for a grace period, such decision being taken after hearing the *conciliateur*. If the negotiations are successful, the parties typically enter into a conciliation agreement, which will be either acknowledged (*constaté*) by the president of the court or approved (*homologué*) by the court. It will then become binding upon them and the creditors party thereto, who may not take action against the company in respect of claims governed by the conciliation agreement.

The acknowledgement of the conciliation agreement by the president of the court gives the conciliation agreement the legal force of a final judgment, which means that it constitutes a judicial title (*titre exécutoire*) that can be enforced by the parties without further recourse to a judge, but the conciliation proceedings remain confidential. The court can, at the request of the debtor, appoint the *conciliateur* to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

Alternatively, the approval (*homologation*) by the court will make the conciliation proceedings, the existence of the conciliation agreement as well as the terms of the New Money Lien (see below) granted to creditors and the guarantees securing the same under the conciliation agreement public (the other terms of the conciliation agreement are not made public but the works council or employee representatives are informed of the content of the agreement) and otherwise have the same effect as its acknowledgement (*constatation*) as described above and, in addition:

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the commercial court may not determine that the date of insolvency, and therefore the starting date of the hardening period (as defined below) is earlier than the date of the approval of the restructuring agreement by the cour t(except in case of fraud);
- creditors who, in the context of the conciliation proceedings, provide new money, goods or services for the purpose of ensuring the continuation of the business of the distressed company (other than shareholders providing new equity) may be granted a priority of payment over all pre-proceedings and post-proceedings claims (other than certain pre-proceedings employment claims and procedural costs) (the "New Money Lien"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the context of safeguard, judicial reorganization or judicial liquidation proceedings subsequent to conciliation proceedings, the payment date of claims secured by the New Money Lien may not be rescheduled without their holders' consent; and
- when the debtor is submitted to statutory auditing, the conciliation agreement is transmitted to its statutory auditors.

Whether the conciliation agreement is acknowledged or approved, while it is in force:

- interest accruing on the claims that are the subject of the agreement may not be compounded;
- the debtor retains the right to petition the court that commenced the conciliation proceedings for a grace period pursuant to Article 1244-1 *et seq*. of the French Civil Code (see "*Grace periods*" above), in relation to claims of creditors (other than public creditors) party to the conciliation proceedings that are not already subject to the conciliation agreement, in which case the decision would be taken after having heard the *conciliateur* (provided that the terms of his or her appointment included monitoring the implementation of the agreement, as referred to above); and
- an obligor or third party having guaranteed, or provided credit support with respect to, the obligations of the company whose conciliation agreement has been acknowledged or approved may rely on the provisions of such agreement.

In the event of a breach of the conciliation agreement, any party to the conciliation agreement may petition the court for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to the claims dealt with by the conciliation agreement are suspended. 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 amounts already paid to them.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a majority of creditors large enough that it is likely that such draft plan would meet the threshold requirements for creditors consent in safeguard, will be a mandatory preliminary step of the accelerated safeguard or accelerated financial safeguard proceedings, as described below.

Within the context of conciliation proceedings, the conciliator may organize the partial or total sale of the debtor, in particular through a "plan for the sale of the business" (*plan de cession*), at the request of the debtor and after the creditors taking part in the conciliation proceedings have been consulted.

Contractual provisions (i) modifying the conditions of continuation of a contract, diminishing the rights or increasing the obligations of the debtor due solely to the opening, or request made therefor, of a mandat ad hoc or a conciliation or (ii) taking part in the conciliation proceedings have been consulted are deemed null and void.

Court- administered Proceedings

Safeguard Proceedings. Only a company may voluntarily file for the opening of safeguard proceedings (*procédure de sauvegarde*), provided it (i) is not insolvent and (ii) experiences difficulties that it is not able to overcome (which does not require the company to demonstrate that these difficulties would be likely to lead to its insolvency if safeguard proceedings were not opened). Creditors of the company do not attend the hearing before the court at which the opening of safeguard proceedings is requested. Following the opening of safeguard proceedings, a court appointed administrator investigates the business of the company during an "observation period", which may last up to six months, renewable for an additional six months with court approval and which can then be extended once again for an additional six months (i.e., a maximum duration of the proceedings of 18 months), and helps the company to draw up a draft safeguard plan (*projet de plan de sauvegarde*) which will be submitted to the creditors. Creditors do not have effective control of the proceedings, which remain in the hands of the company and the administrator and are overseen by the court. The administrator, pursuant to the terms of the judgment commencing the proceedings, exercises an after-the-fact control over the decisions made by the debtor ("*mission de surveillance*") or assists the debtor to make all or some of the management decisions ("*mission d'assistance*").

During the safeguard proceedings, payments by the debtor of any debts incurred prior to the commencement of the proceedings are prohibited, subject to limited exceptions: the bankruptcy judge may authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). In addition, creditors are required to declare to the court-appointed creditors' representative (*mandataire judiciaire*) the debts that arose prior to the commencement of the proceedings (as well as the post-proceedings commencement non-privileged debts) and are prohibited from engaging individual lawsuits against the debtor for any payment default in relation to such debts (See "*—Status of Creditors During In-Court Proceedings (Safeguard, Accelerated Safeguard Proceedings, Judicial Reorganization or Judicial Liquidation*) and the accrual of interest on loans with a term of less than one year, or on payments deferred for less than one year, is stopped. Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business' ordinary activities during the observation period or are for the requirements of the proceedings, or are in consideration for a service rendered to the debtor during this period, must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exceptions, such as the New Money Lien (See "*—Conciliation Proceedings*")).

The manner in which the liabilities will be settled, as provided for in the plan (debt remissions and payment terms) must be submitted to the creditors during a consultation, prior to the plan being approved by the court. The rules governing consultation vary according to the size of the business.

<u>*Standard consultation*</u>:

This applies to debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant, and who have 150 employees or less or a turnover of €20 million or less.

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided* that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the maximum possible length of the plan (ten years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors which do not respond within 30 days of their receipt of thedebt settlement proposal (other tand debt for equity swaps) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard plan (*plan de sauvegarde*) can impose on them a uniform rescheduling of their claims (subject to the specific regime of claims benefiting from the New Money Lien) over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation:

In the case of large companies (whose accounts are certified by a statutory auditor (*commissaire aux comptes)* or established by a chartered-accountant (*expert-comptable)* and with more than 150 employees or a turnover greater than €20 million) or upon request of the debtor or the administrator and with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds, two creditors' committees (one for credit institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and their successive assignees having a claim against 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 and other suppliers invited to participate in such committee by the court-appointed administrator) will then be established.

Creditors which are members of the credit institutions committee or of the major suppliers committee may also prepare an alternative safeguard plan to the one prepared by the debtor with the assistance of the administrator that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the administrator. Bondholders are not permitted to present their own alternative plan.

The committees must announce whether they approve or reject the safeguard plan within a minimum of 15 days of its proposal. Such approval occurs when members of each committee voting in favor of the plan account for at least two-thirds of the outstanding claims of the creditors expressing a vote. Each committee votes on a euro-for-euro basis whether or not claims are subordinated and/or secured/unsecured.

If there are any bondholders, they will be grouped together (whether or not they are subordinated, secured or unsecured) and, following approval of the plan by the two creditors committees, be required to vote on the plan during a general meeting of all bondholders (even if they relate to different issues and regardless of the law applicable to each issue) held for that purpose and approve the plan with a majority vote of two-thirds of the outstanding claims of the bondholders expressing a vote.

Approval of the plan by the two-thirds majorities shall, if the plan is approved by the court, bind all the members of the committees and the bondholders (including those who abstained or voted against the adoption of the plan). The plan submitted to the committees and the bondholders, if any, must take into consideration subordination agreements entered into between creditors before commencement of the proceedings, may include the rescheduling or cancellation of debts, and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent) and may treat creditors differently if it is justified by their differences in situation.

Each creditor member of a creditors committee and each bondholder must, if applicable, inform the judicial administrator of the existence of any agreement relating to the exercise of its vote or to the full or total payment of its claim as well as of any subordination agreement. The judicial administrator shall then submit to the creditor or bondholder a proposal for the computation of its voting rights in the creditors committee or bondholders general meeting. In the event of a disagreement, the creditor or noteholder or the judicial administrator may request that the matter be decided by the president of the commercial court in summary proceedings.

Amounts of claims secured by a trust (*fiducie*) created by the debtor to secure certain creditors are not taken into account. In addition, creditors for whom the plan does not provide any modification of their payment schedules or provides for a complete reimbursement in cash of their claims as soon as the plan is adopted or as soon as their claims are admitted are not entitled to vote on the plan.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders (see below), the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained.

Creditors outside the creditors' committees or the bondholders general meeting are consulted in accordance with the standard consultation process referred to above.

If no plan is adopted by the committees within the first six months period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such exension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the court empowers the court-appointed administrator to convene a shareholders' meeting in order to take corporate resolutions with respect to the modification of the debtor's by-laws (including modifications of its share capital) required by a safeguard plan, the court may order that, under certain conditions, the shareholders' decisions be adopted by a majority vote of the shareholders attending or represented, as long as such shareholders own at least half of the shares with voting rights.

If no proposed safeguard plan whatosever is adopted by the committees,, the court may, at the request of the debtor, the judicial administrator, the *manataire judiciaire* or the public prosecutor, convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly rapidly lead to the company becoming insolvent.

Public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted by a private economic operator placed in the same position, under normal market conditions. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a commission where the heads of finance departments and the organizations and institutions concerned are represented. The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties and fees.

In the event that safeguard (or judicial reorganization) proceedings are opened against the Issuer, the holders of the Notes will be treated as bondholders of the Issuer and will take part in the general meeting of bondholders and the committees of the bondholders, if any. Therefore, the bondholders would not be members of the credit institutions' committee but would vote on any draft plan proposed by the Issuer as members of the general meeting of bondholders. Bondholders could, as members of the general meeting of bondholders, veto such plan if they reach a blocking majority (i.e. if their claims represent more than one third of the claims of those creditors casting a vote in the meeting).

As a general matter, only the legal owner of the bank debt claim or the bond claim (as applicable) will be invited into the credit institutions committee or the general meeting of bondholders, as the case may be. Accordingly, a person holding only an economic interest therein will not itself be a member of the credit institutions committee or the general meeting of bondholders (as applicable).

***Accelerated Safeguard and Accelerated Financial Safeguard Proceedings*.**

A debtor which is the subject of conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, i.e. those:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- which publish accounts certified by a statutory auditor or established by a certified public accountant and have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

The regime applicable to standard safeguard proceedings regime is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings, to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month).

In particular, the creditors committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent).

While accelerated safeguard proceedinds apply to all creditors, accelerated financial safeguard proceedings apply only to "financial creditors" (i.e., creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying any amounts (including interest) to all creditors to whom the accelerated safeguard or accelerated financial safeguard proceedings apply relating to debts incurred prior to commencement of the proceedings. Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

In order to file for accelerated safeguard or AFS proceedings , the debtor company must (i) be subject to conciliation proceedings; (ii) not be insolvent; (iii) face financial difficulties that it finds itself unable to overcome; and (iv) justify that it has prepared a draft safeguard plan ensuring the continued operation of the company as a going concern, which has enough support from its creditors involved in the proceedings (including its bondholders, if applicable) that the plan is reasonably likely to be adopted within a maximum of three, in the event of accelerated safeguard proceedings, or two months in the event of AFS proceedings.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court is obligated to terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Judicial Reorganization or Liquidation Proceedings. Judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*) may be initiated against or by a company only if it is insolvent and, with respect to liquidation proceedings only, if the company's recovery is manifestly impossible. The company is required to petition for judicial reorganization or liquidation proceedings (or for conciliation proceedings as discussed above) within 45 days of becoming insolvent. If it does not do so, *de jure* managers (including directors) and, as the case may be, *de facto* managers are exposed to civil liability.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the safeguard proceedings observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*) or the State prosecutor, the court may convert safeguard proceedings into reorganization proceedings or liquidation proceedings if it appears that the debtor was already insolvent at the time of the court decision opening the proceedings. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

The court order commencing the proceedings may order either the liquidation or the reorganization of the company. In the event of reorganization, an administrator is appointed by the court: its duties are usually to assist the management, although it can be appointed to replace management in whole or in part. The administrator appointed by the court investigates the business of the company during an observation period, which may last up to 18 months, and makes proposals for either the reorganization of the company (by helping the debtor to draw up a reorganization plan which is similar to a safeguard plan), or the sale of the business or the liquidation of the company. If it appears that the debtor is not able to ensure the recovery of its business, a total or partial sale of the business can be ordered by the court, at the request of the court-appointed administrator. In this case, the sale is conducted in accordance with rules applicable to judicial liquidation proceedings.

In reorganization proceedings, in case the shareholders' minimum equity has not been restored to the minimum amount required by law in accordance with Article L.626 3 of the French Commercial Code, the administrator may appoint an administrator (*mandataire de justice*) in charge of convening an extraordinary meeting of shareholders and voting on the same on behalf of the shareholders opposed to such restoration provided that the draft restructuring plan provides for a modification of the equity reduction in favor of one or more third party(ies) undertaking to comply with such plan.

In judicial reorganization proceedings, committees of creditors may be created as for safeguard proceedings (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the State prosecutor or at its own initiative, order the liquidation of the company. At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls within the meaning of the French labor code one or more companies having together at least 150 employees, (ii) its disappeareance is likely to cause serious harm to the national or regional economy and (iii) the modification of its share capital seems to be the only credible way to avoid such harm and allow the continued operation of the business as a going concern, after (a) review of the options for a total or partial sale of the business and at the request of the court-appointed administrator or of the State prosecutor and (b) at least 3 months have elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of th reorganization plan have refused such modification, the insolvency court may either;

- appoint a court officer (mandataire) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan, or

- order, in favor of the persons who have undertaken to perform the reorganization plan, the sall of all or part of the share capital held by the shareholders having refused the share capital increase and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings; the minority shareholders have the right to withdraw from the company and request that their shares be purchased by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by a court-designated expert designated by the court in summary proceedings.

In either case above, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

The aim of liquidation proceedings is to liquidate the debtor by selling its business, as a whole or per branch of activity, or its individual assets. The court may commence a judicial liquidation rather than a judicial reorganization when it considers that the debtor is unable to continue its business or that there are no serious chances of improving the company's prospects through restructuring.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;
- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

Both the judicial reorganization and the liquidation proceedings trigger an automatic stay of proceedings for the benefit of the debtor. However, in judicial liquidation proceedings, secured creditors benefiting from a pledge may request to enforce their security interest through a court-monitored foreclosure (*attribution judiciaire*) (i.e., request the court to transfer ownership of the pledged asset).

Hardening period (période suspecte*) and *Void and Voidable Transactions in judicial reorganization and judicial liquidation poroceedings.

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved (*homologation*) a conciliation agreement. The date of insolvency is important because it marks the beginning of the hardening period (*période suspecte*), "), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it. Certain transactions undertaken during such "hardening" period may become void or voidable (.Void transactions include transactions or payments entered into during the hardening 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 company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner that is not commonly used in the ordinary course of business, any escrow ordered as security or as a provisional measure by a judicial decision if such decision is not final when reorganization or liquidation proceedings are commenced, security granted for debts previously incurred, any provisional attachment or seizure measures (unless the writ of attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless the transfer is made as a security for an indebtedness entered into simultaneously), modifications to existing trust arrangements (*fiducie)* that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*).

Voidable transactions include transactions or payments for due debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteurs*), seizures (*saisie attribution*) and oppositions made during the hardening period, if the party dealing with the company knew that it was insolvent at the time the transaction was entered into or at the time the payment is made. 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 hardening period.

Status of Creditors During In-Court Proceedings (Safeguard, Accelerated Safeguard Proceedings, Judicial Reorganization or Judicial Liquidation)

Contractual provisions pursuant to which the commencement of the safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings constitutes an event of default are not enforceable against the debtor. Nor are "*contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings*" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. Conversely, the administrator can 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 the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of reorganization proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (*plan de cession*) (which it may do for a period of three months, renewable once); in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the "plan for the sale of the business" or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge commissaire*) to recover assets for which recovery is justified by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings, unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person) 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 in order to file a proof of claim, as described below);
    - to terminate a contract for non-payment of amounts owed by the creditor; or

- to enforce the creditor's rights against any assets of the debtor except where such asset-whether tangible or intangible, movable or immovable-is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 5 of the Insolvency Regulation;

- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrats en cours*), will be required.

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above).

As a general rule, creditors whose debts arose prior to the commencement of the proceedings must file a claim with the court appointed *mandataire judiciaire* within two months of the publication of the court order in the *Bulletin Officiel des Annonces Civiles et Commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors on whose behalf no claim has been submitted during the relevant period are, during the relevant period are, except for limited exceptions, barred from receiving distributions made in accordance with the proceedings. Employees are not subject to such limits and are preferential creditors under French law.

Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors that did not take part in the conciliation proceedings would have to file their proofs of claim within the aforementioned deadlines.

In accelerated financial safeguard proceedings, debts owed to creditors other than banks, financial institutions or bondholders continue to be payable in the ordinary course.

If the court adopts a plan of sale of the business (*plan de cession*), the proceeds from the sale will be allocated for the payment of creditors according to their ranking. In particular, employees, officials appointed by the insolvency court, post-petition creditors,creditors secured by a New Money Lien, and the French State (taxes and social charges) are preferred creditors under French law.

Credit Providers' Liability

Pursuant to article L. 650-1 of the French Commercial Code (*Code de commerce*), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors having provided financing to the debtor may only be held liable for the losses suffered as a result of the provision of such financings, if the granting of such facilities was wrongful and, in addition, in the event of: (i) fraud, (ii) interference with the management of the debtor, or (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Limitations on guarantees

Corporate benefit, financial assistance and other limitations

As described in "*Corporate and Financing Structure*", certain guarantees and securities have been granted by companies incorporated in France, and security has been granted over assets located in France.

In certain circumstances, where a French company acts in breach of its requirement to act for its corporate benefit, its officers may incur civil and/or criminal liability. In addition, under French law, a French court may, under certain circumstances, set aside a guarantee granted by a French company if such company derives no corporate benefit.

While the granting of guarantees by a parent company with respect to the obligations of its subsidiary are deemed to be, in principle, for the corporate benefit of the parent company, the granting of cross or upstream guarantees by a subsidiary may be more problematic from that perspective.

Furthermore, under French financial assistance rules, a company limited by shares may not advance funds, grant loans or grant security for the purposes of the subscription or the acquisition of its own shares by a third party. Breach of French financial assistance rules may result in criminal liability for the officers of the company acting in breach of these rules and their accomplices. Moreover, a court could declare any guarantee given in breach of such rules unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor.

Based upon the above, guarantee limitation language has been agreed in this transaction with respect to the Guarantees to be granted by Guarantors incorporated under the laws of France (each, a "French Guarantor") in respect of the payment obligations of the Issuer under the Notes:

- the obligations and liabilities of a French Guarantor under its Guarantee will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241-3, L. 242-6 or L.244-1 of the French Commercial Code; and
- the aggregate obligations and liabilities of a French company under its Guarantee for the obligations of the Issuer under the Notes shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on lent by the Issuer to, or used to refinance any indebtedness previously on-lent directly or indirectly to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding at the time a demand is made from such French Guarantor under its Guarantee, it being specified that any payment made by any such French Guarantor under its Guarantee shall reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by such French Guarantor under the intercompany loan arrangements referred to above.

However, the balance of such intercompany loans, which are financed directly or indirectly with the proceeds of the 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.

In addition, if a Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such Guarantor would obtain in a transaction entered into on an arm's length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

The existence of a real and adequate benefit to any Guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

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.

Limitation on Enforcement of Security Interests

Security interests governed by French law may only secure payment obligations and may only be enforced following a payment default up to the secured amount that is due and remaining unpaid.

Under French law, generally speaking, pledges over assets may be enforced at the option of the secured creditors either (a) before a court (i) by way of a sale of the pledged assets in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of the judicial foreclosure of the pledged assets or (b) by way of contractual foreclosure (*pacte commissoire*) of the pledged assets to the secured creditors, following which (in either case) the secured creditors become the legal owner of the pledged assets. Enforcement by way of private sale (not being contractual foreclosure) may not be agreed at the time of granting of the security and, therefore, the holders of the Notes will not benefit from such enforcement method.

If the secured creditors choose enforcement by way of foreclosure (whether judicial or contractual), the secured liabilities will be deemed extinguished up to the value of the foreclosed assets. Such value is determined either by the judge in the context of a judicial foreclosure or by an expert (pre-contractually agreed or appointed by a judge) in the context of a contractual foreclosure. If the value of the pledged assets exceeds the amount of the secured liabilities, the secured creditors will be required to pay to the relevant pledgor an amount (*soulte*) equal to the difference between the value of the foreclosed assets and the amount of the secured liabilities. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the foreclosed assets. On the contrary, if the value of such foreclosed assets is less than the amount of the secured debt, the remaining amount owed to such creditors will be unsecured.

Should the beneficiaries of the Notes Collateral decline to request the judicial or contractual foreclosure of the securities, enforcement of the pledged securities could be undertaken through the sale of the pledged shares by public auction. Because public auction procedures are not designed for a sale of a business as a going concern, it is possible that the sale price received in any such auction might not reflect the value of the group as a going concern.

Parallel Debt

Under French law, certain "accessory" security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of the creditors by third parties that do not hold the secured claim, unless they act as fiduciary under Article 2011 of the French Civil Code or as security agent under Article 2328-1 of the French Civil Code. The Intercreditor Agreement will provide for the creation of a Parallel Debt. Pursuant to the Parallel Debt, the Security Agent will become the holder of a claim equal to each amount payable by an obligor under the Indenture and the Intercreditor Agreement. The pledges governed by French law will directly secure the Parallel Debt, and the other indebtedness secured by the Notes Collateral and will not directly secure the obligations under the Notes. Although the French Supreme Court (*Cour de cassation*) has held (in a decision dated September 13, 2011 (*Cass. com. 13 September 2011 n°10 -25533 Belvedere*) rendered in the context of safeguard proceedings opened in France) that, subject to certain conditions being met, the concept of "parallel debt" governed by the laws of the State of New York was not incompatible with the French law concept of international public policy (*ordre public international*), this decision cannot be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt obligation and no assurance can be given that such a structure will be effective in all cases before French courts. There is no certainty that the Parallel Debt construction will eliminate or mitigate the risk of unenforceability under French law. To the extent that the security interests in the Notes Collateral created under the Parallel Debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Notes Collateral.

Trust

A concept of "trust" has been recognized for tax purposes by article 792-0 *bis* of the French Tax Code and the French Supreme Court (*Cour de cassation*) has held, in the *Belvedere* decision referred to above in respect of the parallel debt concept, that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the La Haye Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside insolvency proceedings, the "*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, and or 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*), insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor that 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 relevant creditor 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 the grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the granting of the security interests in the Notes Collateral, 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 Notes, the granting of the security interests in the Notes Collateral or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not benefit from the Notes or the security interests in the Notes Collateral and the value of any consideration that holders of the Notes received with respect to the Notes or the security interests in the Notes Collateral could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by affected creditors of the Issuer as a result of the fraudulent conveyance.

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 interests by a company must be within the limits of the object clause of its articles of association.

Should the provision of a guarantee or security by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate authority

When a Luxembourg company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

Corporate benefit

The third condition for a guarantee/security interest to be granted by a Luxembourg company is that the proposed action by the company must be "in the corporate interest of the company", which words are a translation of the French *intérêt social*, an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior". Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In that context, the concept of a group of companies may be relevant, and while it should first be analyzed whether a transaction is in the best interest of the company on a standalone basis, it should also be examined whether the transaction is justified in the light of the interest at the level of the group, which may result in a benefit for the guarantor.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economical, social, or financial policy applicable throughout the whole group;
- the existence of a group should be evidenced through capital links; or
- the proposed action must not (i) be without any consideration, or alternatively (ii) break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee.

However, the failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the guarantee/security interest so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or
- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee/security interest granted; or
- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the guarantee/security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the guarantee/security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the "assisting" company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;
- the guarantee must not exceed the assisting company's financial means;

- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and
- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above have to be applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor.

As a result, the guarantees (upstream and cross stream) granted by a Luxembourg company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under the transaction documents.

The Indenture will contain the following limitation language:

The guarantee granted by any Guarantor which is incorporated and/or having its registered office and its place of central administration in Luxembourg (a "Luxembourg Guarantor") for the obligations of the Issuer which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall be limited at any time to an aggregate amount not exceeding:

(A) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or subsidiaries of that Luxembourg Guarantor (which are subsidiaries of that Luxembourg Guarantor on the Issue Date or which will be subsidiaries of that Luxembourg Guarantor hereafter) by the Issuer which have been funded directly or indirectly with proceeds deriving from the sale of the Notes increased by

(B) the greater of:

   (1) 90% of the sum of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the Luxembourg Act of 19 December 2002 on the commercial register and annual accounts, as amended (the "2002 Act") as at the Issue Date (whether as original party or by way of accession); or

   (2) 90% of the sum of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the 2002 Act, as at the date on which a demand is made under the Notes; or

   (3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Agent or if the Agent so decides by a Luxembourg statutory approved auditor (*réviseur d'entreprise agréé*) (an "Independent Auditor") as at the Issue Date (whether as original party or by way of accession); or

   (4) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as at the date on which a demand is made under the Notes).

Security interests considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement over present and future shares must be registered in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;
- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;
- court adjudication 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.

Insolvency

Altice France Bis, Altice France and certain of our Guarantors are incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company is in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that a Luxembourg company experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (collectively referred to as "insolvency proceedings") may be opened against a company incorporated in Luxembourg having its center of main interests in Luxembourg or an establishment within the meaning of the Insolvency Regulation (in relation to secondary proceedings):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Issuer: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may open bankruptcy proceedings on its own motion. The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors and under which a court may order a provisional suspension of payments, including a stay of enforcement of claims by secured creditors; or

- composition proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity that violates criminal laws or that are in serious breach or 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 rules similar to those applicable to bankruptcy proceedings. Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;

- VAT 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 such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are 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 relevant Luxembourg company's liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency law may affect transactions entered into or payments made by a Luxembourg company during the period before the opening of the insolvency proceedings. If the liquidator or administrator (including, without limitation, in relation to a Luxembourg company, any *commissaire,* *juge-commissaire, liquidateur* or *curateur* or similar official) can show that the Luxembourg company has given "preference" to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, a Luxembourg court has the power to void the "abnormal" transaction. If the liquidator or administrator can show that: (i) a payment in relation to a due debt was made during the hardening period (*période suspecte*, which is a maximum of six months and ten days preceding the judgment declaring the opening of the insolvency proceedings) that is disadvantageous to the general body of creditors; and/or (ii) the party receiving such payment is shown to have known that the bankrupt party had ceased to make payments when such payment occurred, a Luxembourg court has the power, among other things, to void the preferential transaction.

In particular:

- pursuant to Article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent 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 that have fallen due by any means other than in cash or by a 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 party's cessation of payments;
- pursuant to Article 448 of the Luxembourg Code of Commerce and Article 1167 of the Civil Code (*action paulienne*) 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; and
- pursuant to Article 21(2) of the Collateral Act 2005, a financial collateral arrangement entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures is valid and binding against third parties, administrators, insolvency receivers or liquidators notwithstanding the suspect period referred to in Articles 445 and 446 of the Luxembourg Code of Commerce, if the collateral taker proves that it was unaware of 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.

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 so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-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. Insolvency proceedings may therefore have a material adverse effect on a Luxembourg company's business and assets and the Luxembourg company's respective obligations under the notes.

The bankruptcy receiver decides whether or not to continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party that are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

International aspects of Luxembourg bankruptcy, controlled management or voluntary arrangement with creditors' proceedings may be subject to the Insolvency Regulation.

Pursuant to the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the Insolvency Regulation). The determination of where any such company has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "center of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the Insolvency Regulation that any such company has its center of main interests in the Member State in which it has its registered office, Preamble 13 of the Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where a company conducts the majority of its business and the location where the majority of a company's creditors are established may all be relevant in the determination of the place where a company has its center of main interests. The time when a company's center of main interests is determined is at the time that the relevant insolvency proceedings are opened.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the Insolvency Regulation would be opened in such jurisdiction, and, accordingly, a court in such jurisdiction would be entitled to open the types of insolvency proceedings referred to in Annex A to the Insolvency Regulation. Insolvency proceedings opened in one Member State under the Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the center of main interests of a debtor is in one Member State (other than Denmark) under Article 3(2) of the Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary proceedings" only in the event that such debtor has an "establishment" (in the meaning of the Insolvency Regulation) in the territory of such other Member State. The effects of those secondary proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If a company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the Insolvency Regulation.

To the extent that our center of main interests is deemed to be outside Luxembourg, courts of such other jurisdictions may have jurisdiction over the insolvency proceedings of such company.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Ropes & Gray International LLP, as to matters of United States federal, New York and English law; by Luther S.A., as to matters of Luxembourg law; by Franklin and Nabarro & Hinge and Mayer Brown as to matters of French 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 Latham & Watkins AARPI as to matters of French law and by NautaDutilh Avocats Luxembourg S.à r.l., as to matters of Luxembourg law.

INDEPENDENT AUDITORS

As stated in the free English language translations of their reports included elsewhere herein, (i) Deloitte & Associés and KPMG Audit, a department of KPMG S.A., independent statutory auditors, have audited the Issuer's consolidated financial statements as of and for the year ended December 31, 2015 (which include comparative figures as of and for the year ended December 31, 2014) and as of and for the year ended December 31, 2014, (which include comparative figures as of and for the year ended December 31, 2013) in accordance with professional standards applicable in France, and (ii) KPMG Audit, a department of KPMG S.A. and Ernst & Young, independent statutory auditors, have audited SFR's combined financial statements as of and for the years ended December 31, 2013, 2012 and 2011 in accordance with professional standards applicable in France.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Republic of France. The Guarantors are organized under the laws of France, Luxembourg and the United States. Many of the directors and executive officers of the Issuer and the Guarantors are nonresidents of the United States and a substantial portion of the assets of such persons are located outside the United States. As a consequence, you may not be able to effect service of process on these non-U.S. resident directors and officers in the United States or to enforce judgments against them outside of the United States, including judgments of the U.S. courts predicated upon the civil liability provisions of the U.S. securities laws.

France

The United States and France are not party to a treaty providing for the 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 is enforceable in the United States;
- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (i.e., there was no international forum-shopping), 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, pertaining both 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 that 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 to these conditions, it is well established that only final and binding foreign judicial decisions (i.e. those having a res judicata effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the res judicata effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

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 law No. 80-538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to the 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. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78 17 of 6 January 1978 on data processing, data files and individual liberties, as modified) 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.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Furthermore, 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 of the remedies sought.

Pursuant to Article 14 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 with French individuals. Pursuant to Article 15 of the French Civil Code, a French national 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 with 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 case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU. 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. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Luxembourg

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment against an issuer incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set forth in Article 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the particular matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was obtained in compliance with the rights of the defendant, i.e., following proceedings at which the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; and

- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or have been given in proceedings of a criminal or tax nature.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if the choice of such foreign law was not made bona fide or if (i) the foreign law was not pleaded and proved or (ii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

LISTING AND GENERAL INFORMATION

Listing

Application will be made for the 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, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Copies of the following documents may be obtained electronically or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and the Paying Agent so long as the Notes remain listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of such exchange require:

- the articles of association of the Issuer;
- organizational documents of the Guarantors;
- the Issuer's annual reports and quarterly reports and consolidated financial statements required to be provided under "*Description of Notes—Certain Covenants—Reports*";
- the Indenture;
- the Intercreditor Agreement; and
- the Notes Collateral Documents.

The Issuer will maintain the Transfer Agent having its address at 60 Wall Street, 16th Floor, MS NYC60-1630, New York, New York 10005, United States.

The Issuer reserves the right to vary such appointment and will publish notice of such change of appointment on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Pursuant to Part 1, Chapter 5, Item 502 of the rules and regulations of the Luxembourg Stock Exchange, the Notes will be freely transferable on the Luxembourg Stock Exchange, for so long as the Notes are listed in the Official List of the Luxembourg Stock Exchange.

The gross proceeds of the offering of the Notes will be $2,250 million.

Clearing Information

The Notes sold pursuant to Regulation S and to Rule 144A have been accepted for clearance through the facilities of DTC and have been assigned the CUSIP numbers and ISINs set out in the table below.

	CUSIP	ISIN
Rule 144A		
Regulation S		

Legal Information

The Issuer

The Issuer is a public limited liability company (*société anonyme*), with a Board of Directors (*conseil d'administration*) incorporated under the laws of France, registered under sole registration number 794 661 470 RCS Paris and having its registered office at 1 square Béla Bartók, 75015, Paris, France. At the date hereof, the Issuer's share capital amounts to €440,702,472, divided into 440,702,472 shares, all of the same class, and all of which are fully paid and subscribed.

The Issuer is a holding company which conducts its operations indirectly through its operating subsidiaries.

According to Article 2 of the articles of association of the Issuer, the Issuer may (i) acquire or dispose of all securities, by way of subscription, purchase, transfer, merger, exchange, sale or otherwise, (ii) grant all kind of support, loans, advances, or guarantees to companies in which it has a direct or indirect participation, or to all companies which form part of the group of companies to which the Issuer belongs.

In general, the Issuer may likewise carry out all commercial, industrial, and financial transaction which may be related directly or indirectly, wholly or partly, to the corporate object mentioned above or to any related or complementary activity or which may be liable to enhance or to supplement its purpose.

The creation and issuance of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated April 5, 2014.

The Guarantors

SFR

Societé Francaise du Radiotéléphone S.A. is a limited liability corporation (*société anonyme*) with share capital of €3,423,265,598.40. Its registered office is located at 1 square Béla Bartók, 75015 Paris, France and it is registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 343 059 564.

Ypso Finance

Ypso Finance S.à r.l. has been incorporated as a private limited liability company (*société à responsabilité limitée*) under the laws of the Grandy Duchy of Luxembourg on June 22, 2011. The article of association of Ypso Finance S.à r.l. have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C. Recueil des Sociétés et Associations* dated September 7, 2011, under number 2079, page 99783 *et seq*. The registered office of Ypso Finance S.à r.l. is 121, rue de la Faiencerie, L-1511 Luxembourg. The phone number of Ypso Finance S.à r.l. is +352 26 26 87 571. Ypso Finance S.à r.l. is registered with the Luxembourg Trade and Companies Register under number B161946.

Ypso Finance S.à r.l. has a share capital of €2,618,437.50 comprised of 2,992,500 shares with a nominal value of €0.875 each, all of which have been subscribed and fully paid-up.

According to Article 2 of the articles of association of Ypso Finance S.à r.l. relating to its corporate object, Ypso Finance S.à r.l. 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, the management, the control and the development of such participating interests.

Ypso Finance S.à r.l. may particularly use its funds for the setting-up, the management, the development and the disposal of a portfolio consisting of any securities and patents of whatever origin, participate in the creation, the development and the control of any enterprise, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatever, any type of securities and patents, realize them by way of sale, transfer, exchange or otherwise, have developed these securities and patents. Ypso Finance S.à r.l. may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Ypso Finance S.à r.l. has an interest or which form part of the group of companies to which Ypso Finance S.à r.l. belongs (including shareholders or affiliates).

In general, Ypso Finance S.à r.l. may carry out any financial, commercial, industrial, personal or real estate transactions, take any measure to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purposes or which are liable to promote their development or extension.Ypso Finance S.à r.l. may borrow in any form and proceed to the issuance of bonds or any other instruments which may be convertible.

Ypso Holding

Ypso Holding is existing under the name Ypso Holding S.à r.l., as a private limited liability company (*société à responsabilité limitée*), existing under the laws of the Grand Duchy of Luxembourg on 13 September 2005. The articles of association of Ypso Holding have been filed with the Luxembourg Trade and Companies' Register and published in the *Mémorial C, Recueil des Sociétés et Associations* dated 6 January 2006, number 40, page 1895 *et seq*. The registered office of Ypso Holding is at 3, boulevard royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. Ypso Holding's telephone number is +352 22 60 56 40. Ypso Holding is registered with the Luxembourg Trade and Companies' Register under number B 110644.

Ypso Holding has a share capital of € 1,987,756,175 comprised of 79,510,247 shares with a nominal value of €25, all of which have been subscribed and fully paid-up.

According to Article 3 of its articles of association, Ypso Holding 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.

Ypso Holding 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. Ypso Holding may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Ypso Holding has an interest or which form part of the group of companies to which Ypso Holding belongs (including shareholders or affiliated entities) or any other companies. Ypso Holding may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Ypso Holding 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, Ypso Holding 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 B2B France

Altice B2B France is a French *société par actions simplifiée* having its registered office at 1, square Béla Bartók, 75015 Paris, France registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 499 662 757. At the date hereof, Altice B2B France's share capital amounts to €322,800,980.76, divided into 447,500,604 shares, all of the same class, and all of which are fully paid and subscribed.

Ypso France

Ypso France is a French *société par actions simplifiée* having its registered office at 10, rue Albert Einstein, 77420 Champs-sur-Marne, France registered with the Meaux Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 484 348 131. At the date hereof, YPSO France's share capital amounts to €74,707,200, divided into 7,470,720 shares, all of the same class, and all of which are fully paid and subscribed.

Completel

Completel is a French *société par actions simplifiée* having its registered office at 1, square Béla Bartók, 75015 Paris, France registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 418 299 699. At the date hereof, Completel's share capital amounts to €146,648,525.88, divided into 67,269,966 shares, all of the same class, and all of which are fully paid and subscribed.

NC Numericable

NC Numericable is a French *société par actions simplifiée* having its registered office at 10, rue Albert Einstein, 77420 Champs-sur-Marne, France registered with the Meaux Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 400 461 950. At the date hereof, NC Numericable's share capital amounts to €78,919,817.50, divided into 517,507 shares, all of the same class, and all of which are fully paid and subscribed.

Numericable U.S. S.A.S

Numericable U.S. S.A.S is a French *société par actions simplifiée*, having its registered office at 1, square Béla Bartók, 75015 Paris, France registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 801 376 161. At the date hereof, Numericable U.S. S.A.S's share capital amounts to €37,608,579, divided into 37,608,579 shares, all of the same class, and all of which are fully paid and subscribed.

Numericable U.S. LLC

Numericable U.S. LLC is a Delaware limited liability company, having its registered office at 901 N. Market St, Suite 705, Wilmington, County of New Castle, Delaware 19801, United States.

Management

For details on the management of the Issuer, please see "*Management of the Group*".

Societé Francaise du Radiotéléphone—SFR is managed by Michel Combes as President (*Président*) and by a board of directors composed by two (2) members being:

1. Thierry Lemaître; and
2. Laurent Bauer.

Ypso Finance S.à r.l. is managed by a board of managers composed of three (3) members being:

1. Violène Rosati;
2. Catherine Giordano; and
3. Thierry Lemaître.

Ypso Holding S.à r.l. is managed by a board of managers composed by three (3) members being:

1. Martin Douxami;
2. Emilie Schmitz; and
3. Laurent Godineau.

Altice B2B France S.A.S is managed by Michel Combes as President (*Président*), and Thierry Lemaitre as General Manager (*Directeur Général*).

NC Numericable is managed by Michel Combes as President (*Président*), and Thierry Lemaitre and Eric Klipfel as General Managers (*Directeur Généraux*).

Completel is managed by Michel Combes as President (*Président*) and Thierry Lemaitre as General Manager (*Directeur Général*).

Ypso France S.A.S is managed by Michel Combes as President (*Président*), and Thierry Lemaitre as General Manager (*Directeur Général*).

Numericable U.S. S.A.S is managed by Michel Combes as President (*Président*), and Thierry Lemaitre as General Manager (*Directeur Général*).

Numericable U.S. LLC is managed by Theirry Lemaître.

Business Year

The business year for the Issuer begins on the first day of January and ends on the last day of December of each year.

The business year for all the French Guarantors begins on the first day of January and ends on the last day of December of each year.

The business year for Ypso Holding S.à r.l. begins on the first day of January and ends on the last day of December of each year.

The business year for Ypso Finance S.à r.l. begins on the first day of January and ends on the last day of December of each year.

Auditors

The independent auditors of the Issuer are Deloitte & Associés and KPMG Audit, a department of KPMG S.A.

Offering Memorandum

As of the date of this Offering Memorandum, the Issuer's most recent audited financial statements available were as of and for the year ended December 31, 2015. Except as disclosed in this Offering Memorandum, there has been no significant or material adverse change in the financial positions of the Issuer or the Guarantors since December 31, 2015.

Except as disclosed in this Offering Memorandum, neither the Issuer nor any of the Guarantors is or has been involved in any governmental, legal or arbitration proceeding relating to claims or amounts that, individually or in the aggregate, are material in the context of the issuance of the Notes and may have, or have had during the twelve months preceding the date of this Offering Memorandum, a significant effect on the Issuer's or the Guarantors' financial position or profitability. So far as we are aware, having made all reasonable inquiries, there are no such litigation, arbitration or governmental proceedings pending or threatened.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the Issuer's knowledge and belief, the information contained in this Offering Memorandum with regard to the Issuer is in accordance with the facts and does not omit anything likely to affect the import of such information. However, the information set forth under the headings "*Exchange Rate Information*", "*Summary*", "*Industry, Competition and Market Overview*", "*Business of the Group*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and does not accept further responsibility in respect thereof.

The Trustee

The Trustee is Deutsche Bank Trust Company Americas and its address is 60 Wall Street, 16th Floor, MS NYC60-1630, New York, New York 10005, United States. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to such holders of the Notes as described in the Indenture.

GLOSSARY

"3D-TV"	Three dimensional television is a technology used to project a television program into a realistic three-dimensional field.
"3G/3G+"	See UMTS (3G) and HSDPA (3G+).
"4G"	The fourth generation of mobile phone technology standards, providing very-high-speed broadband access.
"ADSL" (Asymmetrical Digital Subscriber Line)	ADSL is the most commonly used variant of DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over copper telephone lines. Asymmetric Digital Subscriber Lines normally have three to four times more bandwidth available for purposes of data downloads as compared to data uploads.
"All-IP"	All services (internet, telecommunications and video) are carried through Internet Protocol by a federative IP backbone.
"Analog"	Comes from the word "analogous". In telephone transmission, the signal being transmitted (voice, video or image) is "analogous" to the original signal.
"ARCEP"	French telecommunications and posts regulator (*Autorité de régulation des communications électroniques et des postes*).
"ARPU" (Average Revenue Per User)	Average revenue per user is a B2C measure used to evaluate how effectively the Group is realizing potential revenues from the Group's direct digital subscribers. It is calculated on yearly and quarterly basis by dividing the Group's total direct digital subscription related revenue, excluding installation and carriage fees, for the period considered by the average number of the Group's direct digital subscribers served in that period. This definition may be different for other companies, including SFR.
"Backbone"	The principal data routes between interconnected networks.
"Backbone network"	Fiber optic backbone transmission network for long distance and very high capacity.
"Backhauling"	Transporting data to the backbone network.
"Bit" (Binary Digit)	Elementary information unit with binary coding (0 or 1) used by digital systems.
"Broadband"	A general term used to describe wide bandwidth equipment or systems. Broadband communications systems can deliver multiple channels and other services.
"Bulk subscriber"	Cable subscribers through a collective contract entered into between a cable operator and a property agent or housing association.
"Cable TV"	A broadband network employing radio frequency transmission over coaxial and/or fiber optic cable to transmit multiple channels carrying images, sound and data between a central facility and individual customers' television sets.
"Catch-Up Television"	A television service that allows viewing programs after their original broadcast.
"Centrex"	A private branch exchange-like service providing switching at a central office instead of at the customer's premises. The telecommunications provider owns and manages the communications equipment necessary to implement the Centrex service and sells services to the customer.

"Churn" . . . . In the B2C segment, the discontinuance of services to a customer either voluntarily or involuntarily. It is the percentage measure of the number of subscribers disconnected during a particular period (either at the subscriber's request or due to a termination of the subscription by the Group) divided by the number of subscribers at the beginning of the period, excluding transfers between the Group's products. This definition may be different for other companies, including SFR.

"Cloud computing" . . . . Concept which allows the transfer on distant servers of storage and data processing traditionally held on local servers or the user's hardware.

"Coaxial Cable" . . . . Electrical cable with an inner conductor, surrounded by a tubular insulating layer.

"CPE" (Customer Premises Equipment) . . . . Material set up at the customer's home which provides broadband services use such as voice ports, channel banks, set-top boxes, cable broadband routers or embedded Multimedia Terminal Adaptor.

"CRM" . . . . Customer Relationship Management.

"Digital" . . . . The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as voice or music, are encoded digitally by sampling the voice or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: first, digital signals can be reproduced more precisely so digital transmission is "cleaner" than analog transmission and the electronic circuitry necessary to handle digital is becoming cheaper and more powerful; and second, digital signals require less transmission capacity than analog signals.

"DSL" (Digital Subscriber Line) . . . . . DSL is generic name for a range of digital technologies relating to the transmission of internet and data signals from the telecommunications service provider's central office to the end customer's premises over the standard copper wire used for voice services.

"DTT" (Digital Terrestrial Television) . . . . A terrestrial broadcasting mode using digital technology, in which video and audio signals are digitized and organized within a single stream. They are then modulated and broadcast terrestrially (through airwaves). DTT provides a clearer picture and superior sound quality when compared to analog television, with less interference. DTT is an alternative to receiving broadcasts through cable and satellite operators.

"Dual-play" or "double-play" . . . . Broadband subscriber package including two services: internet access and IP telephony.

"Ethernet" . . . . Technology for local network connections with computers connected by a combination of network interface cards installed on each PC and by cables linking the workstations at a rate of 10 Mbps, 100 Mbps, 1 Gbps or 10 Gbps. In an Ethernet network, each workstation may initiate a transmission at any time.

"EuroDocsis 2.0" . . . . International telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system. EuroDocsis 2.0 broadband routers have the capacity to achieve download speeds of up to 30 Mbps with

	the use of one downstream port. EuroDocsis 2.0B (or "wide-band Docsis") broadband routers have the capacity to achieve download speeds of up to 100 Mbps with the use of three downstream ports.
"EuroDocsis 3.0"	International telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system. EuroDocsis 3.0 broadband routers have the capacity to achieve download speeds of up to 400Mbps with the use of eight downstream ports.
"Free-to-air"	Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.
"FTTB" (Fiber-To-The-Building)	Fiber optics to the entry point of a building.
"FTTH" (Fiber-To-The-Home)	Connection by optical fiber directly to the subscriber's home, ensuring very-high-speed transmission compatible with triple-play packages.
"FTTO" (Fiber-To-The-Office)	Fiber optic access dedicated to offices (FttO).
"GB"(gigabyte)	Gigabyte, commonly abbreviated as GB. See "MB".
"Gbits/s"	Billions of bits (10 power 9) transferred per second on a transmission network. See "—*Bit*".
"GHz" (gigahertz)	One billion hertz (a unit of frequency).
"GSM" (Global System for Mobile Communications)	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
"HD" (High Definition)	A technology used notably in video, television and photography that has a resolution substantially higher than that of standard systems and is capable of producing an image characterized by fine detail, greater quality and better sound reproduction.
"HDTV" (High Definition Television)	A type of television image transmission that uses HD resolution. HDTV has twice as many scan lines per frame as a standard definition television system, a sharper image, better sound reproduction and a wide-screen format.
"Head-ends"	A collection of hardware, typically including a backbone router, satellite receivers, modulators and amplifiers which collects, processes and combines signals for distribution within the cable network.
"HFC" (Hybrid Fiber Coaxial)	A technology developed by the cable TV industry to provide two-way high-speed data access to the home using a combination of fiber optics and traditional coaxial cable.
"High Speed Broadband Market	Broadband with above 30 Mbps speed capability.
"Homes connected/passed"	A home is deemed "connected" or "passed" if it can be connected to the distribution system without further extension of the network.
"HSDPA" (High Speed Downlink Package Access)	Evolution of the third generation (3G) mobile telephony norm UMTS, also called 2.5G or 3G+. It offers, thanks to an upgraded software, performances tend times greater than 3G technology (UMTS). It supports high speeds in bundled form on the download side.
"HTML5" (HyperText Markup Language 5"	The fifth and most recent revision of HTML, the standard programming language for structuring and presenting content on the internet.

"IP" (Internet Protocol)	Internet Protocol is used for communicating data across a packet switched network. It is used for transmitting data over the internet and other similar networks. The data are broken down into data packets, each data packet is assigned an individual address, and then the data packets are transmitted independently and finally reassembled at the destination.
"IP Centrex"	IP servers are located in the Group's data center and used by SMEs for VoIP.
"IPTV" (Internet Protocol Television)	The transmission of television content using IP over a network infrastructure, such as a broadband connection.
"IRU" (Indefeasible Right of Use)	Long-term contract ensuring the temporary ownership, over the term of the contract, of a portion of the capacities of a duct, a cable or a fiber.
"IT" (Information Technology)	A general term referring to the use of various software and hardware components when used in a business.
"LAN" (Local Area Network)	A network that interconnects computers in a limited area such as within a building.
"LAN to LAN"	Ethernet interconnection service between sites through a LAN connection at long distances.
"Local loop"	Section of the network connecting the operator's point of presence to individual subscriber households.
"LTE" (Long Term Evolution)	Name of a project aiming to produce technical specifications of future fourth generation (4G) mobile network norms. By extension, LTE designates fourth generation mobile systems, which arose out of this project.
"M2M"	Machine to machine.
"Mb" (megabyte)	Megabyte, commonly abbreviated as Mb, is a multiple of the unit byte for digital information storage or transmission, generally used to refer to for computer storage. A megabyte (Mb) is different from a megabit (Mbit): a byte is a unit of information which is defined as a multiple of a bit (one byte equals eight bits).
"Mbps"	Megabits per second; a unit of data transfer rate equal 1,000,000 bits per second. The bandwidths of broadband networks are often indicated in Mbps.
"Middleware"	Middleware is computer software that provides services to software applications beyond those available from the operating system.
"MMS" (Multimedia Message Service)	A system that enables cellular phones to send and receive pictures and sound clips as well as text messages between wireless devices.
"MNO" (Mobile Network Operator)	Access solution for multiple services (internet, television and VoIP) through a single broadband access point.
"Multi-play"	Access solution for multiple services (internet, television and VoIP) through a single broadband access point.
"MVNO" (Mobile Virtual Network Operator)	Mobile operators that use third party network infrastructures to provide their own mobile telephone services.

"OTT content" or "over-the-top content"	Broadband delivery of video and audio without the internet service provider being involved in the control or distribution of the content itself. It refers to content received from a third party and delivered to the end-user device with the internet provider being exclusively responsible for transporting IP packets.
"Premium pay-TV"	Premium pay-TV includes high-value channels providing premium content and corresponds to CanalSat and Canal+ content. Other channels included in pay-TV are low-value and low-price channels.
"Quadruple-play"	Triple-play and mobile telephony.
"RGU" (Revenue Generating Unit)	Each subscriber receiving cable TV, broadband internet, fixed telephony or mobile telephony services over the Group's network. Thus, one subscriber who receives all of the Group's services would be counted as four RGUs.
"Router"	A device that provides access to the internet for multiple computers. It typically includes a network switch with several Ethernet ports for wired connections to desktop and laptop computers. The router also provides network address translation, which allows multiple users to reach the internet with one public IP address assigned by the cable or telephone company to the service.
"SAN" (Storage Area Network)	A high-speed special purpose network that interconnects data storage devices with associated data servers.
"SAN to SAN"	Interconnection service provided through a SAN connection.
"SD" (Standard Definition)	Television and video broadcasting standard, offering viewers an image with a resolution of 720 pixels (horizontal) by 576 pixels (vertical).
"SDH" (Synchronous Digital Hierarchy)	A standard technology for synchronous data transmission on optical media.
"Set-top box"	The electronics box which connects television to incoming digital video signal.
"Sites connected"	A corporate or public sector site is deemed "connected" if it is connected to the Group's network.
"Smart card"	A pocket sized card with embedded integrated circuits which, when used with a digital receiver, enables the Group's subscribers to decrypt and receive the Group's digital television service.
"SME" (Small and Medium-sized companies)	The computing market for companies with between 2 and 200 employees.
"SMS" (Short Message Service)	A system that allows mobile telephone users to send and receive text messages between wireless devices.
"Subscriber access nodes"	Points on the edge of the access network that concentrate individual access lines into a smaller number of feeder lines.
"Symmetric regulation"	Regulation applicable to all operators offering the same service, in contrast to asymmetric regulation, applicable only to operators recognized as having significant market power by a regulatory authority.
"TNT" (*Télévision Numérique Terrestre*) (Digital Terrestrial Television)	A land-based (terrestrial) broadcast television system.

"Triple-play"	Subscriber offering telephony, internet and cable TV services through one access channel.
"UMTS" (Universal Mobile Telecommunications System)	Third generation (3G) mobile telephony norm allowing a high speed communication (up to 2 Mbit/s, theoretically symmetrical).
"unbundling"	Procedure which allows other providers to use the passive infrastructures of the historical operator's proprietary local copper-wire loop in order to market their own services to end-users. In order to do this, B2B unbundling customers must install their own equipment at the historical operator's main distribution frames (subscriber access nodes). These wholesale services are regulated by ARCEP.
"unlimited"	With respect to quadruple-play packages, refers to unlimited calls within the limit of a fair usage, as is customarily applied in the French mobile market.
"VDSL" (Very-high-bit-rate Digital Subscriber Line)	A variant of DSL; an internet access technology that provides faster data transmission than ADSL over copper telephone lines, at speeds of up to 52 Mbps downstream and 16 Mbps upstream and up to 100 Mbps downstream in VDSL2.
"VGA"	Video graphics array; a computing standard that has a resolution of 640 x 480 pixels with colours or 320 x 200 pixels with 256 colours.
"VOD" (Video-On-Demand)	VOD is service that provides subscribers with enhanced playback functionality and gives them access to a broad array of on-demand programming.
"VoIP" (Voice over Internet Protocol)	The transportation of voice services using IP technologies.
"VPN" (Virtual Private Network)	A VPN extends a private network across a public network.
"White Label"	A production service produced by one entity, the producer, that another entity, the marketer, rebrands and distributes to make it appear as if it had made it.
"xDSL"	Asymmetrical DSL connection where the download speed (from the network to the client) is higher speed than the upload speed (from the client to the network).
"Wifi" (Wireless Fidelity)	Technology enabling the connection of wireless equipment using radio waves in the 2.4 GHz wavelength, at speeds of 11 Mbps (802.11b standard), 54 Mbps (802.11g standard) or 540 Mbps (802.11n standard). By extending the Ethernet protocol to cover radio services, Wifi offers businesses and individuals the ability to wirelessly connect several computers or shared devices in a network over distances that may reach several dozen meters.
"Wholesale"	The carrier-to-carrier market for telecommunication services.

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Consolidated Financial Statements

Fiscal year ended December 31, 2015

Statutory Auditors' Report on the consolidated financial statements

Fiscal year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

In the performance of the engagement entrusted to us pursuant to your Articles of Association and by your Shareholders' Meeting, we present below our report for the fiscal year ended December 31, 2015, on:

- the audit of the consolidated financial statements of Numericable-SFR S.A., as appended to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made, 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 consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In application of the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

- Notes 5.1 "Acquisition of SFR", 5.2 "Acquisition of Virgin Mobile" and 6 "Changes in the scope of consolidation" disclose the terms and conditions relating to the takeover of SFR and Virgin Mobile and their impact on the consolidated financial statements, and in particular, the allocation of purchase price carried out during the year. In this context, the Company used an independent valuation firm in order to assess the fair value of the intangible assets in particular related to the brand and the customer relationships. Our work included examining the report of the independent evaluator, familiarizing ourselves with the data and valuation methods used, and assessing the appropriateness of the assumptions used. Our procedures also included verifying the proper accounting treatment of those acquisitions in accordance with Note 2.10 "Goodwill and business combinations," the restatement of the comparative information and the appropriateness of the information disclosed in Notes 4.1, 5.1, 5.2, 6, and 38.

- Note 3 “Main accounting principles and use of estimates” in the Notes to the consolidated financial statements explains the main accounting principles and estimates used in preparing the consolidated financial statements. This Note also discloses that future circumstances and outcomes may result in changes to the estimates and assumptions made which may impact the Group’s financial position, profits, and future cash flow. The most significant estimates relate to provisions, goodwill, derivatives, and deferred tax assets:
  - The Company makes provisions to cover litigation risks as described in Note 2.20 “Provisions” in the Notes to the financial statements. Our procedures consisted of assessing, based on the information made available to us, the data and assumptions on which the estimates were based, and reviewing the Company’s calculations, on a test basis. In our opinion, all uncertainties and disputes have been appropriately disclosed in Note 34 “Disputes” of the Notes to the consolidated financial statements.
  - The Company systematically carries out goodwill impairment tests at the end of each accounting period, in accordance with the procedure described in Note 2.14 “Impairment of assets” of the Notes to the consolidated financial statements. We have reviewed the method for testing asset impairment, cash flow, and the assumptions used, and we have verified that Note 14 “Impairment tests” in the Notes to the consolidated financial statements appropriately reflects them.
  - Note 2.19 “Derivative instruments” in the Notes to the consolidated financial statements explains the accounting principles for derivative instruments used by the Group. We have verified that the accounting principles have been properly applied, and hedging instruments in particular, checked the consistency of the assumptions used to calculate the fair value of derivative instruments, and checked that Note 25 “Derivative Instruments” and Note 31 “Financial instruments,” provide appropriate disclosure.
  - In its Statement of consolidated financial position, the Group shows deferred tax assets related to tax losses for an amount of €290 million as of December 31, 2015, as disclosed in Note 13.3 “Changes in deferred taxes by type” in the Notes to the consolidated financial statements. We have reviewed the data and assumptions on which the projections of tax loss carry-forwards were based, have reviewed the Company’s calculations, and have verified that Notes 2.7 and 13 provide appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group’s management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, on March 29, 2016

French original signed by

KPMG Audit
Department of KPMG S.A.

Grégoire Menou
Partner

Neuilly-sur-Seine, on March 29, 2016

French original signed by

Deloitte & Associés

Christophe Saubiez
Partner

Numericable-SFR

2015 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Revenues	**8**	**11,039**	**2,170**
Purchasing and subcontracting		(3,890)	(630)
Other operating expenses	10	(2,467)	(670)
Staff costs and employee benefit expenses	9	(877)	(170)
Depreciation, amortization and impairment		(2,554)	(496)
Other non-recurring income and expenses	11	(314)	(112)
Operating income		**937**	**91**
Financial income	12	782	15
Cost of gross financial debt	12	(781)	(504)
Other financial expenses	12	(47)	(111)
Net financial income (expense)		**(46)**	**(600)**
Share in net income (loss) of associates	17	6	4
Income before taxes		**898**	**(505)**
Income tax income (expense)	13	(215)	317
Net income (loss) from continuing operations		**682**	**(188)**
Net income (loss) from discontinued operations		**—**	**—**
NET INCOME (LOSS)		**682**	**(188)**
• **Attributable to owners of the company**		**675**	**(188)**
• **Attributable to non-controlling interests**		**7**	**0**
Earnings per share attributable to owners of the company (in euros)			
• basic		1.47	(1.04)
• diluted		1.47	(1.04)

1 See Note 38—Restated information.

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2015 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Net income		**682**	**(188)**
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		(1)	—
Cash flow hedges		40	(169)
Related taxes	13.3	(20)	64
Other items related to associates		2	—
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gain (loss)	28	8	(3)
Related taxes	13.3	(3)	—
ITEMS OF OTHER COMPREHENSIVE INCOME		**708**	**(295)**
Of which:			
Comprehensive income attributable to owners of the company		*701*	*(295)*
Comprehensive income attributable to non-controlling interests		*7*	—

1 See Note 38—Restated information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Assets			
Goodwill	14	10,554	10,554
Intangible assets	15	7,983	8,395
Property, plant and equipment	16	5,627	5,643
Investments in associates	17	110	126
Non-current financial assets	18	2,112	1,003
Deferred tax assets	13	2	501
Other non-current assets	18	57	50
Non-current assets		**26,445**	**26,270**
Inventories	19	286	256
Trade and other receivables	20	2,723	2,732
Income tax receivable	13	271	252
Current financial assets	21	2	135
Cash and cash equivalents	22	355	620
Current assets		**3,637**	**3,995**
TOTAL ASSETS		**30,081**	**30,265**

	Note	December 31, 2015	December 31, restated[1]
		(in € millions)	
Liabilities			
Share capital	23	440	487
Additional paid- in capital	23	5,360	9,748
Reserves	23	(1,545)	(2,283)
Equity attributable to owners of the company		**4,256**	**7,952**
Non-controlling interests	23	12	10
Total invested equity		**4,267**	**7,962**
Non-current long term borrowings and financial liabilities	24	16,443	12,539
Other non-current financial liabilities	24	215	810
Non-current provisions	26	727	635
Deferred tax liabilities	13	816	1,294
Other non-current liabilities	29	780	582
Non-current liabilities		**18,981**	**15,860**
Short-term borrowings and financial liabilities	24	**254**	**179**
Other financial liabilities	24	**588**	**99**
Trade payables and other liabilities	30	**4,878**	**5,011**
Income tax liabilities	13	**187**	**217**
Current provisions	26	**328**	**330**
Other current liabilities	30	**597**	**606**
Current liabilities		**6,833**	**6,443**
TOTAL EQUITY & LIABILITIES		**30,081**	**30,265**

1 See Note 38—Restated information.

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2015 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the company						
	Capital	Additional paid in capital	Reserves	Other comprehensive income	Total	Non-controlling interests	Consolidated equity
				(in € millions)			
Position at December 31, 2013	**124**	**2,108**	**(1,977)**	**(2)**	**253**	**0**	**254**
Dividends paid	—	—	—	—	—	—	—
Comprehensive income restated	—	—	(188)	(108)	(295)	(0)	(295)
Issuance of new shares	266	4,455	—	—	4,720	—	4,720
Contributions of SFR shares	97	3,185	—	—	3,282	—	3,282
Share-based compensation	—	—	5	—	5	—	5
Treasury shares	—	—	(1)	—	(1)	—	(1)
Other movements	—	—	(12)	—	(12)	9	(3)
Position at December 30, 2014 restated	**487**	**9,748**	**(2,173)**	**(109)**	**7,952**	**10**	**7,962**
Dividends paid	—	(2,509)	—	—	(2,509)	(7)	(2,516)
Comprehensive income	—	—	675	26	701	7	708
Issuance of new shares	2	24	—	—	26	—	26
Share-based compensation	—	—	9	—	9	—	9
Treasury shares	—	—	(1,948)	—	(1,948)	—	(1,948)
Capital decrease by cancellation of own shares	(49)	(1,899)	1,948	—	—	—	—
Other movements	—	(4)	28	—	24	1	26
POSITION AT DECEMBER 31, 2015	**440**	**5,360**	**(1,461)**	**(84)**	**4,256**	**12**	**4,267**

Breakdown of changes in equity related to other comprehensive income

	Attributable to owners of the company				
	Cash flow hedges	Actuarial gain (loss)	Other items	Deferred taxes	Items of other comprehensive income
			(in € millions)		
Balance at December 31, 2013	**—**	**(2)**	**—**	**—**	**(2)**
Change	(169)	(3)	(0)	64	(108)
Balance at December 31, 2014 restated	**(169)**	**(5)**	**(0)**	**64**	**(109)**
Change	42	8	(1)	(23)	26
BALANCE AT DECEMBER 31, 2015	**(127)**	**3**	**(1)**	**41**	**(84)**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Net income attributable to owners of the company		**675**	**(188)**
Adjustments:			
Non-controlling interests		7	0
Depreciation, amortization and provisions		2,560	500
Share in net income (loss) of associates	*17*	(6)	(4)
Net income from sale of property, plant and equipment and intangible assets	*11*	188	16
Net financial expense (income)	*12*	46	600
Income tax expense (income)	*13*	215	(317)
Other non-cash items		13	0
Income tax paid		(240)	(74)
Change in working capital		(322)	358
Net cash flow provided (used) by operating activities		**3,135**	**893**
Acquisitions of property, plant and equipment and intangible assets	*15/16*	(2,370)	(591)
Acquisition of consolidated entities, net of cash acquired		(2)	(13,206)
Price adjustment of SFR and Virgin Mobile securities	*6*	123	—
Acquisitions of other financial assets		(5)	(3)
Disposals of property, plant and equipment and intangible assets		36	8
Disposal of consolidated entities, net of cash disposals		18	—
Disposal of other financial assets		21	—
Change in working capital related to property, plant and equipment and intangible assets		446	160
Net cash flow provided (used) by investing activities		**(1,732)**	**(13,632)**
Purchases of treasury shares	*4.1*	(1,949)	—
Capital increase	*5*	26	4,721
Dividends paid	*4.3*	(2,516)	—
• *to owners of the company*		(2,509)	—
• *to non-controlling interests*		(7)	—
Dividends received		8	—
Issuance of debt[2]		3,677	11,403
Repayment of debt[3]		(838)	(2,638)
Interest paid		(605)	(263)
Other flows from financing activities[4]		438	(76)
Net cash flow provided (used) by financing activities		**(1,758)**	**13,147**
Adjustments with no impact on cash		—	74
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(355)**	**482**
Net cash and cash equivalents at beginning of period[5]		**583**	**101**
Net cash and cash equivalents at end of period		**229**	**583**
of which cash and cash equivalents		*355*	*620*
of which bank overdrafts		*(126)*	*(36)*

1 See Note 38—Restated information

2 As of December 31, 2015, this primarily corresponds to the RCF drawdown in the first half of 2015 and to the new tranches of bank loans signed in July and November 2015. As of December 31, 2014, this corresponds mainly to debts raised as part of the acquisition of SFR in the amount of €11,653 million net of €250 million in fees on loans disbursed.

3 As of December 31, 2015, this corresponds mainly to the repayment in July 2015 of €800 million RCF drawn in the first half. As of December 31, 2014, this amount mainly reflects €2,638 million in debt extinguished during refinancing transactions in May 2014.

4 As of December 2015, this mainly corresponds to the cash received under securitization contracts (€171 million), reverse factoring (€240 million) and deposits from customers (€49 million). As of December 31, 2014, this corresponds to the cost of extinguishing debt repaid in May 2014 in the amount of €89 million, and to the change in other financial liabilities, excluding Senior Facilities.

5 This amount was restated upwards by €37 million on January 1, 2015 to take into account (i) a change in the presentation of cash, which now includes bank overdrafts and (ii) a reclassification to cash of new receivables.

Numericable-SFR

2015 Consolidated Financial Statements

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1 Basis of preparation of the consolidated financial statements

1.1 Numericable-SFR

Numericable-SFR (hereinafter **"the Company" or "the Group")** is a limited liability corporation (*société anonyme*) formed under French law in August 2013 with headquarters in France.

Created as a result of the merger of Numericable and SFR, Numericable-SFR Group aims to become, on the back of the largest fiber optic network and a leading mobile network, the national leader in France in the convergence of very-high-speed fixed-line/mobile.

A global player, Numericable-SFR has major positions in all segments of the French telecommunications B2C, B2B, local authorities and wholesale markets.

1.2 Basis of preparation of financial information

The consolidated financial statements were prepared and approved by the Company's Board of Directors on March 11, 2016.

In accordance with French law, the consolidated financial statements will be considered final once they have been approved by the Group's shareholders at the Ordinary Shareholders' Meeting, which will be held in the second quarter of 2016.

The consolidated financial statements for the year ended December 31, 2015, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the accompanying notes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") published by the IASB (International Accounting Standard Board), as adopted by the European Union (EU) at December 31, 2015. These international standards include the IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC).

The accounting and valuation principles defined in the IFRS as adopted by the European Union are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The financial statements underwent a change in accounting method, harmonization of management rules, a change in presentation as shown below, and the application of new standards, which are presented in Note *1.3—New Standards and Interpretations.*

Change in accounting method

To improve its financial reporting and to ensure uniformity of treatment among Altice Group companies, the Group has capitalized, in accordance with IAS 38—*Intangible Assets* and future standards, its customer acquisition costs for packages with commitments beginning on or after January 1, 2015. The charge is presented in the "Depreciation, amortization and impairment" caption of the consolidated statement of income. The Group believes that by doing so, the financial information provided is more reliable and more relevant, particularly for the purposes of a market practice analysis of the Telecom industry at the international level. The change in method had no material impact on the comparative financial reporting presented for fiscal year 2014. However, the pro forma financial information presented in Note *39—Condensed consolidated pro forma financial Information* was restated to reflect the change in method. Furthermore, intangible assets with a net carrying amount of €98 million were recognized provisionally at November 30, 2014 in capitalized acquisition costs, as part of the allocation of goodwill related to the acquisition of SFR and Virgin Mobile. These impacts are disclosed in Note *6—Changes in scope.*

Harmonization of management rules

As part of the acquisition of SFR, the Group has also harmonized its rules for estimating and capitalizing internal costs related to network development and information systems, costs for

1 Basis of preparation of the consolidated financial statements (Continued)

introducing Service Access Fees, and costs for the refurbishment of set-top boxes returned by customers. Accordingly, intangible assets in the amount of €287 million were recognized at November 30, 2014, as part of the allocation of goodwill related to the acquisition of SFR. These impacts are disclosed in Note *6—Changes in scope.*

Changes in the preparation of the consolidated financial statements

To improve its financial reporting and ensure uniformity in the presentation of financial statements among Altice Group companies, Numericable-SFR Group has changed the presentation of its financial statements. The Group believes that the new presentation of the financial information is more relevant and provides better comparability for the purposes of a market practice analysis of the Telecom industry at the international level. The transition from the old to the new format for comparative financial statements as of December 31, 2014 is described in detail in Note *38—Restated Information.*

1.3 New standards and interpretations

Mandatory standards and interpretations for the year ended December 31, 2015

In its 2015 consolidated financial statements, the Group applied new standards and amendments adopted by the European Union, which became mandatory at January 1, 2015:

IFRIC Interpretation 21—*Levies Charged by Public Authorities* is applicable retrospectively from January 1, 2015. This interpretation clarifies IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*, and specifically covers the recognition of a liability for a levy imposed on corporations by public authorities in accordance with applicable laws and regulations, with the exception of income taxes, among other things.

Applying this interpretation may therefore lead to modifying the analysis of the obligating event as the activity that triggers the recognition of a liability. This interpretation had no material impact on the Group's half-year consolidated financial statements for fiscal year 2015 or on the comparative financial information.

The application from January 1, 2015 of the other mandatory standards and amendments (listed below) had no material impact on the Group's consolidated financial statements:

- Amendments to IAS 19: Employee contributions to defined benefit plans;
- Annual improvements to IFRSs published in December 2013 (2010-2012 and 2011-2013 Cycles).

Standards and interpretations mandatory after December 31, 2015 and not adopted early

The Group did not opt for the early application of any standards and interpretations mandatory after December 31, 2015.

Of the IFRS and IFRIC interpretations issued by the IASB and IFRS IC but not yet in force and not yet adopted by the EU, which the Group has not opted to apply early, those likely to affect the Group are mainly:

- IFRS 15—*Revenue from Contracts with Customers*: published in May 2014, it provides a new framework for recognizing revenue. IFRS 15 will replace the current standards on revenue recognition, in particular IAS 18—*Revenue*, IAS 11—*Construction Contracts* and the associated interpretations when it becomes applicable. The standard is applicable to annual periods beginning on or after January 1, 2018. It is applicable retrospectively according to two options: either limited to calculating the cumulative effect of the new method at the opening date of exercising the change, or by restating the comparative periods presented.

1 Basis of preparation of the consolidated financial statements (Continued)

The Group anticipates that application of IFRS 15 in the future will have a significant impact on the published figures and notes to the financial statements. It is not possible at this time to provide a reasonable estimate of the effects of IFRS 15 insofar as the Group has not completed a detailed review.

- IFRS 9—*Financial Instruments*, applicable to annual periods beginning on or after January 1, 2018.
- IFRS 16—*Leases*, with mandatory application as from January 1, 2019, applicable retrospectively either at the date of first application or at the beginning of the comparative year presented.

Management is currently assessing the potential impact of the application of these standards, interpretations and amendments on the Statement of Income, the Statement of Financial Position, the Statement of Cash Flows and the Notes to the Financial Statements.

2 Significant accounting policies

2.1 Consolidation methods

The list of entities included in the scope of consolidation is presented in Note 35—*List of Consolidated Entities.*

Consolidated entities

The new model of control, defined by IFRS 10—*Consolidated Financial Statements,* is based on the following three criteria, which must be met simultaneously in order to determine the exercise of control by the parent company:

- The parent company has power over the subsidiary when it has effective rights that give it the ability to direct the relevant activities - i.e., the activities that significantly affect the subsidiary's returns. Power may arise from existing and/or potential voting rights and/or contractual arrangements. Voting rights must be substantial - i.e., they must be able to be exercised when decisions about the relevant activities are to be made without limitation and particularly in decision-making on relevant activities. Assessing how much power is held depends on the subsidiary's relevant activities, its decision-making process and the way the rights of its other shareholders are distributed;
- The parent company is exposed or entitled to variable returns due to its connections to the subsidiary, which may vary according to its performance. The concept of return is defined broadly, and includes dividends and other forms of distributed financial benefits, the valuation of the investment, cost savings, synergies, etc.;
- The parent company has the ability to use its power to affect the subsidiary's returns. Any power that does not entail this kind of influence does not qualify as control.

These entities are consolidated using the full consolidation method.

Full consolidation method

This method involves consolidating in the financial statements the items in the statement of financial position, the statement of comprehensive income and the statement of cash flows of the entities controlled within the meaning of IFRS 10, completing any restatements, eliminating intragroup transactions and accounts, as well as internal results, and allocating the shareholders' equity and income between the parent company interests and non-controlling interests.

Consolidated comprehensive income includes the income of subsidiaries acquired during the year, prorated from their date of acquisition. The income of subsidiaries sold during the same period is included until the date of their sale.

2 Significant accounting policies (Continued)

Interests that do entail control over the subsidiaries' net assets are presented in a separate caption in shareholders' equity called "Non-controlling interests." They include non-controlling interests as of the takeover date and the non-controlling interests' share in the change in shareholders' equity as from that date. Subject to arrangements that would indicate a different allocation, negative results of subsidiaries are systematically allocated between equity attributable to owners of the parent company and non-controlling interests based on their respective share of ownership interest, even if it becomes negative.

Joint Arrangements

IFRS 11—*Joint Arrangements* provides financial reporting guidelines for entities that hold interests in joint arrangements. In a joint arrangement, the parties are bound by a contractual arrangement that gives them joint control of the company. The entity that is party to a joint arrangement must therefore determine if the contractual arrangement gives all the parties, or a group of some of them, joint control over the company. The existence of joint control is then assessed for decisions about the relevant activities that require the unanimous consent of the parties that jointly control the company.

Joint arrangements are classified into two categories:

- Joint undertakings (or joint operations); these are arrangements in which the parties that have joint control over the company have direct rights to its assets and obligations for its liabilities. The parties are called the "joint investors." The joint investor recognizes 100% of the joint operation's assets/liabilities/expenses/income that it owns itself and the share of the items that it owns jointly. These arrangements involve joint investment agreements signed by the Group.
- Joint ventures: these are partnerships in which the parties that have joint control over the company have rights to its net assets. The parties are called the "co-owners." Each co-owner recognizes its rights to the net assets of the entity using the equity method (see paragraph below).

Associates

Associates in which the Group has significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group directly or indirectly holds 20% or more of the voting rights of an entity, unless it can clearly show that this is not the case. The existence of significant influence can be shown by other criteria such as representation on the Board of Directors or the governing body of the jointly held entity, participation in policy-making processes, the existence of material transactions with the entity, or the sharing of management personnel.

Equity method

Under the equity method, investments in associates and joint ventures are stated at acquisition cost, including goodwill and transaction costs. Earn-out initially measured at fair value are recognized in the cost of the investment, where their payments can be measured with sufficient reliability.

The Group's share in the net income of associates and joint ventures is recognized in the income statement while its share in the movements of reserves after acquisition is recognized in reserves. Post-acquisition movements are adjusted against the value of the investment. The Group's share in the net losses of associates and joint ventures is recognized to the extent of the investment made, unless the Group has a legal or constructive obligation of support for the undertaking.

Any surplus of the cost of acquisition over the Group's share in the net fair value of the identifiable assets of the associate recognized at the date of acquisition is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is taken into account in impairment testing on that asset.

2 Significant accounting policies (Continued)

2.2 Foreign currency translation

The Consolidated Financial Statements are presented in euros, the functional currency of vast majority of Group companies and of the parent company. All financial data are rounded to the nearest million euros.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are recognized in profit or loss for the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognized in profit or loss.

2.3 Revenue

Revenue from the Group's activities mainly consists of services (telephone packages, TV subscriptions, high-speed Internet, telephony and installation services), equipment sales and telecommunications network leases.

Revenue corresponds to the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intragroup sales between entities included in the scope of consolidation.

Income is recognized and presented as follows, in accordance with IAS 18—*Revenue*:

Equipment sales

Proceeds from equipment sales are recognized as revenue upon transfer of the risks and rewards of ownership to the purchaser.

Separable elements of a bundled offer

Revenue from telephone packages is recognized as a sale with multiple elements. Revenue from the sale of handsets (mobile phones and other) is recognized upon activation of the line, net of discounts granted to the customer at the point of sale and activation fees. Revenue recognized for the sale of equipment (handsets in particular) only includes the contractual amount paid, independently of the service.

Other costs of acquisition and retention, including premiums not associated with equipment sales as part of telephone packages and fees paid to distributors, are immediately expensed.

Where the elements of such transactions cannot be identified or analyzed as separable from a larger offer, they are considered to be related and the associated revenue is recognized in its entirety over the term of the contract or the expected duration of the customer relationship.

Services

Proceeds from subscriptions (Internet access, basic cable service, digital pay TV) and telephone payment plans (fixed or mobile) are recognized on a straight-line basis over the duration of the relevant service.

The Group sells some telephone payment plans that allow the unused call minutes for a given month to be rolled over to the following month. Roll-over minutes are recognized for the share of revenue they represent in the telephone subscription at the time they are actually used or when they expire. Revenue on incoming and outgoing calls as well as on calls made outside plans is recognized when the service is rendered.

2 Significant accounting policies (Continued)

Revenue generated by the coupons sold to distributors and prepaid Mobile cards is recognized as and when the end customer uses them, starting when such coupons and cards are activated. The unused balance is recorded in deferred income at the closing date. The proceeds in any event are recognized on the date of the card's expiration or when use of the coupon is statistically improbable.

Sales of subscription services managed by the Group on behalf of content providers (mainly special numbers and SMS+) are recognized gross, or net of payments made to content providers based on the analysis of each transaction. Accordingly, revenue is recognized net when suppliers are responsible for the content delivered to end customers and for setting the subscription rates.

Connection and installation fees billed mainly to operators and business customers during the implementation of services such as ADSL connection, bandwidth capacity or IP connectivity are recognized over the estimated duration of the customer relationship and of the main service supplied, based on statistical data.

Installation and set-up services (including connection) for residential customers are recognized as revenue when the service is rendered.

Revenue related to switched services is recognized as and when traffic is routed.

Revenue from services for bandwidth capacity, IP connectivity, local high-speed access and telecommunications is recognized as and when the services are rendered to customers.

Access to telecommunications infrastructure

The Group provides access to its telecommunication infrastructure to its wholesale customers through various types of contracts: leases, hosting contracts or the granting of indefeasible rights of use (or "IRUs"). IRU agreements grant the use of property (cables, fiber optics or bandwidth) over a defined, usually long duration, with the Group retaining ownership. Revenue from lease agreements, hosting contracts in Netcenters and infrastructure IRUs is recognized over the term of the contract, except when they qualify as finance leases; in this case, the equipment is accounted for as sales on credit. In the case of IRUs and sometimes leases or service contracts, the service is paid in advance for the first year. These non-refundable prepayments are recorded as deferred income and amortized over the expected life of the contract.

Infrastructure sales

The Group builds infrastructure for some of its customers. Revenue relating to infrastructure sales is recognized upon the transfer of ownership. When it is estimated that a contract will be unprofitable, a provision for onerous contract is booked.

Loyalty programs

In application of IFRIC 13—*Customer Loyalty Programs*, the Group measures the fair value of the incremental benefit granted as part of its loyalty programs. For the periods presented, this value is not material, so no revenue has been deferred under it.

2.4 Adjusted EBITDA

Adjusted EBITDA is the indicator Management uses to measure the Group's financial performance. It excludes the main items that have no effect on cash, such as depreciation, amortization and impairment.

Furthermore, Adjusted EBITDA is an indicator used internally by Management to measure the Company's operational and financial results, to make investment and resource-allocation decisions, and to assess the performance of management personnel.

2 Significant accounting policies (Continued)

Adjusted EBITDA may not be comparable with similarly named measures used by other entities. The transition from operating income to Adjusted EBITDA is presented in Note *7—Transition from operating income to adjusted EBITDA.*

2.5 Financial income and expenses

Financial income and expenses primarily comprise:

- Interest expenses and other expenses paid for financing transactions recognized at amortized cost and changes in the fair value of interest rate derivative instruments that do not qualify as hedges within the meaning of IAS 39—*Financial Instruments: Recognition and Measurement*;
- Interest income relating to cash and cash equivalents.

2.6 Segment information

IFRS 8—*Operating Segments* requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following three segments:

- B2C Operations
- B2B Operations
- Wholesale Services

B2C Operations

The Group provides residential customers with telephone subscriptions, TV subscription services, high-speed Internet, and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering, including data transmission and very-high-speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators (including the Mobile Virtual Network Operations, "MVNOs") as well as the related maintenance services.

2.7 Corporate income tax

Income tax expense comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year, estimated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences on the closing date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) investments in subsidiaries, joint ventures and associates when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not be reversed in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, in accordance with the rules in effect at the reporting date.

2 Significant accounting policies (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities when the taxable entity intends to settle current tax liabilities and assets on a net basis or when tax assets and liabilities are to be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in tax legislation and the possibility of recovering deductible temporary differences and tax losses. A deferred tax asset is recognized when it is probable that future taxable profits against which the temporary difference can be utilized will be available.

2.8 Investment grants

Investment grants received are deducted from the gross carrying amount of property, plant and equipment to which they relate. They are recognized in the income statement as a reduction in the depreciation charge over the useful life of the related assets.

2.9 Site remediation

The Group has a contractual obligation to restore the network sites (both mobile and fixed) at the end of the lease, should the latter not be renewed. Due to this obligation, the capitalization of the costs of restoring the sites is calculated based on:

- an average unit cost of site remediation,
- assumptions about the life of the dismantling assets, and
- a discount rate.

2.10 Goodwill and business combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquired business are recognized at their fair value at the acquisition date.

The consideration transferred corresponds to the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The goodwill arising from a business combination is equal to the difference between:

- the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the acquirer's previously held equity interest in the target, and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognized in assets in the consolidated statement of financial position. When the difference is negative, it is directly recognized through profit or loss.

The secondary costs directly attributable to an acquisition giving control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with IAS 32—*Financial Instruments: Presentation* and IAS 39—*Financial Instruments: Recognition and Measurement*

When goodwill is determined provisionally at the end of the period in which the combination is effected, any adjustments to the provisional values within 12 months of the acquisition date are recognized in goodwill.

Changes in the Group's share of ownership of equity securities in a subsidiary which do not lead to a loss of control over the latter are recognized as shareholders' equity transactions.

Goodwill resulting from the acquisition of associates and joint ventures is included in the carrying amount of the investment.

2 Significant accounting policies (Continued)

Goodwill is not amortized, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note *14—Goodwill and Impairment Tests*

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

2.11 Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recognized at historical cost less accumulated amortization and any accumulated impairment losses.

Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use. Intangible assets consist mainly of operating licenses, IRUs, patents, purchased software, and internally developed applications.

Licenses to operate telephone services in France are recognized for the fixed amount paid for the acquisition of the license. The variable portion of license fees, which amounts to 1% of the revenue generated by these activities, cannot be reliably determined and is therefore expensed in the period in which it is incurred.

- The UMTS license is recognized at historical cost and amortized on a straight-line basis from the service activation in June 2004 to the end of the license period (August 2021), corresponding to its expected useful life;
- The GSM license, renewed in March 2006, is recognized at the present value of 4% of the fixed annual fee of €25 million, and amortized on a straight-line basis from that date until the end of the license period (March 2021), corresponding to its expected useful life;
- The LTE license is recognized at historical cost and is amortized on a straight-line basis from the service activation date until the end of the license period. The 2.6 GHz band license acquired in October 2011 is amortized as of the end of November 2012 (end of license: October 2031). The 800 MHz band license acquired in January 2012 was activated on June 3, 2013 and is being amortized over a remaining duration of 18 years (end of license: January 2032). SFR acquired a new license for the 700 MHz band in December 2015 (end of license: December 2035). This license has not yet been activated.

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fiber or dedicated wavelength bandwidth, and the duration of the right is for the majority of the underlying asset's useful life. They are amortized over the shorter of the expected period of use and the life of the contract between 3 and 30 years.

Patents are amortized on a straight-line basis over the expected period of use (generally not exceeding 10 years).

Software is amortized on a straight-line basis over its expected useful life (which generally does not exceed 3 years).

Internally developed intangible assets

The acquisition cost of an intangible asset developed internally corresponds to the personnel costs incurred when the intangible asset meets the criteria for IAS 38—*Intangible Assets*. An intangible asset that results from the development of an internal project is recorded if the Group can demonstrate that all of the following conditions have been met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;

2 Significant accounting policies (Continued)

- Its intention of completing the intangible asset and using or sell it;
- Its ability to use or sell the intangible asset;
- The capacity of the intangible asset to generate probable future economic benefits.
- Among other things, the Group may demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, its usefulness;
- The availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset;
- Its ability to reliably measure the expenditures attributable to the intangible asset during its development.

Capitalization of costs ceases when the project is finalized and the asset is available for use.

The cost of an internally developed intangible asset arising from the development phase of an internal IT project is amortized on a straight-line basis over its expected useful life (which is generally not greater than three years).

Investments made under public service concessions or delegations

Investments made as part of public service concessions or delegations and related to the roll-out of the telecommunications network are recognized as intangible assets in accordance with IFRIC 12—*Service Concession Arrangements*.

The “intangible model” provided by this interpretation applies when the operator receives a right to charge users of the public service and is substantially paid by the user. Intangible assets are amortized over the shorter of the estimated useful life of the relevant asset categories and the duration of the concession.

2.12 Property, plant and equipment

Property, plant and equipment are measured at historical cost less cumulative depreciation and impairment losses.

Historical cost includes the acquisition cost or the production cost, the costs directly attributable to using the asset on the site and to its conditions of operation, and the estimated costs of dismantling and removing the asset and remediating the site where it is installed, in line with the obligation incurred. In addition, borrowing costs attributable to qualifying assets whose construction period is longer than one year are capitalized as part of the cost of that asset. Conversely, subsequent maintenance costs (repairs and maintenance) of the asset are recognized in profit or loss. Other subsequent expenditures that increase productivity or the life of the asset are recorded as assets.

Material components of property, plant and equipment whose useful lives are different are recognized and depreciated separately.

Property, plant and equipment mainly comprise network equipment.

The main useful lives are as follows:

Technical buildings and constructions	15 to 25 years
Network equipment:	
Optical cables	30 to 40 years
Engineering facilities, pylons	20 to 40 years
Other equipment	4 to 15 years
Set-top box and access fees	3 to 5 years
Furniture and fixtures	5 to 10 years
Miscellaneous equipment	2 to 5 years

2 Significant accounting policies (Continued)

Estimated useful lives are reviewed regularly and any changes in estimates are recorded prospectively.

Materials and telecommunications equipment are investments that are strongly subject to technological changes: write-offs or impairments with prospective revision of the amortization period may be recognized if the group has to prematurely write off certain technical equipment or if it is forced to revise the projected useful life of certain categories of equipment.

Gains or losses on disposal of property, plant and equipment are the difference between the profit from the disposal and the carrying amount of the asset, and are recognized in the caption "Other operating income/expenses" of the consolidated income statement.

FTTH deployment

Decision No. 2009-1106 of *Autorité de Régulation des Communications électroniques et des Postes* (Regulatory Authority on Electronic Communications and Postal Services (ARCEP)) dated December 22, 2009 regulates the use of fiber optics in very densely populated areas by establishing joint investment rules between phone operators.

The reference offers issued by the operators in accordance with this decision are dealt with in IFRS by the application of IFRS 11—*Joint Arrangements*. Thus, when the Group is an *ab initio* joint investor, only its share of the assets is recorded in property, plant and equipment, and when the Group is an *a posteriori* investor, the IRU or the usage right is recognized in property, plant and equipment. The same treatment applies for joint investment in moderately dense areas defined by ARCEP.

2.13 Leases

Under IAS 17—*Leases*, leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables in the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are expensed in the period in which they are incurred.

Operating lease payments are expensed on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is

2 Significant accounting policies (Continued)

recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Impairment of assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment, or assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress undergo an annual impairment test.

Impairment tests are performed in order to compare the recoverable amount of an asset or a Cash-Generating Unit ("CGU") with its carrying amount.

An asset's or CGU's net recoverable amount is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those derived from other assets or groups of assets. In that case, the recoverable amount is determined for the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Given the change in the Numericable-SFR Group and the significant pooling of assets and services within the Group, a single CGU is defined at the Group level. For the purposes of goodwill impairment testing, in conformity with IAS 36, goodwill is allocated as a value to each operating segment (see Note *14.1—Change in Goodwill*), and shared assets and liabilities are allocated through distribution keys to each of the operating segments B2C, B2B and wholesale (see Note *14.3—Main Assumptions Used).* The principal allocation keys used to allocate shared assets and liabilities are based on revenues, use of the network or the information systems.

The value in use of each asset or group of assets is determined as the present value of future cash flows (discounted cash flow method or "DCF") by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable on the measurement date from the sale of the asset or group of assets in an ordinary transaction between market participants, less costs to sell.

When the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized in the "Depreciation, amortization and impairment" caption of the income statement. Only impairment losses recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful lives and property, plant and equipment may be reversed.

2.15 Non-derivative financial assets

Pursuant to the provisions of IAS 39, financial assets are classified in one of the four categories:

- available-for-sale assets;
- loans and receivables;
- held-to-maturity securities;
- financial assets at fair value through profit or loss.

Purchases and sales of financial assets are recognized on the transaction date—the date on which the Group has committed to purchase or sell the assets.

A financial asset is classified as current when the maturity of the instrument's expected cash flows is less than one year.

2 Significant accounting policies (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value. Gains and losses on available-for-sale financial assets are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that the investment classified as equity instruments has permanently or significantly lost all or some of its value, when the cumulative gain or loss previously recorded in income and expenses recognized directly in other comprehensive income is transferred to the income statement.

This category consists mainly of non-consolidated equity interests.

These assets are included in the statement of financial position under non-current financial assets, unless Management intends to dispose of the investment within twelve months of the statement's date.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest method.

This category consists mainly of trade receivables and other receivables and other assets such as deposits and advances to associates.

If there is objective evidence that an impairment loss has been incurred, its amount is calculated as the difference between the carrying amount of the financial assets and the value of future estimated cash flows, discounted at the original effective interest rate, with the difference being recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired. In this case, the impairment is recognized through profit or loss.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value, with gains and losses recorded in the Consolidated statement of income.

This category mainly includes:

- assets held for trading that the Group intends to sell in the near future (primarily marketable securities);
- assets voluntarily classified at inception in this category;
- derivative financial assets.

2.16 Inventories

Inventories primarily consist of mobile devices, set-top boxes and technical equipment. They are valued at their acquisition cost or at their net recoverable amount, if it is lower. The acquisition cost is calculated according to the weighted average cost. It includes the cost of acquiring the materials.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2 Significant accounting policies (Continued)

2.17 Cash and cash equivalents

The “Cash and Cash Equivalents” heading includes bank balances, money-market UCITS which meet the specifications of AMF Position No. 2011-13, and very liquid short-term investments, which have an original maturity date that is less than or equal to three months, which can be easily converted to a known cash amount, and are subject to a negligible risk of change in value.

Investment securities are measured at their fair value through profit or loss.

2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the contractual arrangement.

Equity instruments

An equity instrument is any contract resulting in a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recorded for the proceeds received, net of direct issuance costs.

Financial liabilities

Financial liabilities other than derivatives mainly include bonds and term loans taken out in connection with the acquisition of SFR, liabilities related to finance leases, the potential earn-out that Vivendi may receive following the sale of SFR based on the Group’s financial performance, guarantee deposits received from customers, advances received and bank overdrafts.

They are measured at amortized cost, using the effective interest method, in conformity with IAS 39. The effective interest rate corresponds to the internal interest rate used to precisely update future cash flows throughout the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. Accrued interest is included in the “Current liabilities” caption of the statement of financial position.

2.19 Derivative instruments

The Group uses various derivative instruments to hedge its exposure to foreign exchange rate fluctuations.

Derivatives are initially recognized at fair value on the date of execution of a derivative contract, and are subsequently revalued at their fair value on each closing date.

Hedge accounting is applicable if:

- The hedging relationship is clearly defined and documented at the date of establishment;
- The effectiveness of the hedging relationship is demonstrated at its inception and in subsequent periods: i.e., if at the beginning of the hedge and throughout its duration, the Group expects that the changes in fair value of the hedged item will be almost fully offset by changes in the fair value of the hedging instrument, and if actual results are within a range between 80% and 125%.

There are three types of hedge accounting:

- The fair value hedge is a hedge against exposure to changes in the fair value of a recognized asset or liability, which are attributable to a rate and/or currency risk and which would affect the result. The hedged portion of these items is remeasured at fair value in the statement of financial position. The change in fair value is recognized in the income statement where it is offset within the limits of the effectiveness of the hedge by symmetrical changes in the fair value of hedging instruments;

2 Significant accounting policies (Continued)

- The cash flow hedge is a hedge of the exposure to cash flow fluctuations attributable to interest rate risk and/or changes associated with a recognized asset or liability or a highly probable forecast transaction (e.g., an expected sale or purchase) and could affect profit. The hedged item is not recorded in the statement of financial position; thus the effective portion of the change in fair value of the hedging instrument is recognized in other comprehensive income. It is reclassified in profit or loss when the hedged item affects profit or is reclassified in the initial cost of the hedged item where it concerns covering acquisition cost of a non-financial asset;
- The net investment hedge is a hedge against exposure to changes in value attributable to the foreign currency risk of a net investment in a foreign operation that could affect profit when the investment is sold. The effective portion of net investment hedges is recognized through other comprehensive income and reclassified in profit or loss when the net investment is sold.

The cessation of hedge accounting may result in particular from the elimination of the hedged item, voluntary termination of the hedging relationship, or the cancelation or maturity of the hedging instrument. The accounting consequences are as follows:

- for fair value hedges: the fair value adjustment of debt at the date of cessation of the hedging relationship is amortized based on a recalculated effective interest rate on that date;
- for cash flow hedges: the amounts recorded in other comprehensive income are reclassified into profit or loss when the hedged item is eliminated. In other cases, they are taken straight to profit or loss over the remaining term of the hedging relationship as originally defined.

In both cases, the subsequent changes in value of the hedging instrument are recognized in profit or loss.

2.20 Provisions

Under IAS 37—*Provisions, Contingent Liabilities and Assets,* provisions are booked when, at the end of the reporting period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events and it is probable that an outflow of resources generating economic benefits will be required to meet the obligation and that the amount can be reliably estimated.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money, taking into account the risks attached to the liability as appropriate. If a reliable estimate of the amount of the obligation cannot be made, no provision is recognized and a report is made in the notes.

Provisions mainly include:

- Provisions to cover litigation and disputes concerning the Group's activities. Their amounts are estimated based on a case-by-case risk assessment. Events occurring during proceedings may lead at any time to a reassessment of such estimates;
- Provisions for restructuring, which are booked once the restructuring has been announced and a plan has been detailed or launched. Such provisions are generally not discounted due to their short-term nature;
- Provisions for site remediation, which are assessed based on the number of sites involved, an average unit cost of site remediation and assumptions about the life of the decommissioning asset and the discount rate. When a site is decommissioned, the corresponding provision is reversed;
- Provisions for employee benefits are detailed in the following section.

2 Significant accounting policies (Continued)

2.21 Employee benefits

The Group provides employee benefits through contributions to defined-contribution plans and defined-benefit plans. The Group recognizes pension costs related to defined-contribution plans as they are incurred under personnel expenses in the Consolidated Statement of Income.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of revised IAS 19—*Employee Benefits* ("IAS 19R"), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turnover of beneficiaries, salary increases, projected life expectancy, the probable future length of employees' service and an appropriate discount rate updated annually.

The Group recognizes the corresponding net expense over the entire estimated period of service of the employees. The actuarial gains and losses on post-employment benefits are recognized in their entirety as "Other items of comprehensive income" in the period in which they occur.

The cost of the plans is recognized through operating income, with the exception of the accretion cost, which is recognized as other financial expenses and income.

The cost of past services generated by plan changes and reductions is recognized immediately and in full in the Consolidated Statement of Income.

2.22 Share-based payments

The Group has granted options that will be settled as equity instruments. In accordance with IFRS 2—*Share-based Payments*, the benefit granted to employees under stock option plans, assessed at the time of the award of the option, is additional compensation.

Plans granting instruments settled as equity instruments are measured at the grant date based on the fair value of the equity instruments granted. They are recognized on a straight-line basis as personnel expenses over the vesting period, taking into account the Group's estimate of the number of options that will vest at the end of the period. In addition, for plans based on non-market performance conditions, the probability of achieving the performance objective is assessed each year and the expense adjusted accordingly.

The fair value of options granted is determined using the Black-Scholes valuation model and takes into account an annual reassessment of the expected number of exercisable options. The expense recognized is adjusted accordingly.

2.23 Borrowing costs

Under IAS 23—*Borrowing Costs*, a qualifying asset is an asset that takes a substantial period of time before it can be used or sold. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The Group notes that it does not take a substantial amount of time to get assets ready for their intended use because of the incremental roll-out of the network. The application of IAS 23 consequently has no impact on the Group's Consolidated Financial Statements.

2.24 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the

2 Significant accounting policies (Continued)

assumed proceeds from the conversion of these instruments have been used to acquire shares of the Group at the average market price for the fiscal year period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3 Use of estimates

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the Group to make a certain number of estimates and assumptions that are realistic and reasonable. Thus, the application of accounting principles in the preparation of the Consolidated Financial Statements described in Note *2—Accounting rules and methods* implies decisions, estimates and assumptions that have an influence on the amounts of the assets and liabilities and on income and expenses as well.

Such estimates are prepared based on the going concern assumption, established using currently available information and in view of the current economic environment. In the current economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

Significant estimates and assumptions relate to the measurement of the following items:

- *Provisions*: assessment of the risk on a case-by-case basis; it is stipulated that the occurrence of events during a proceeding period may at any time trigger a reassessment of the risk (Note *26—Provisions* and Note 34—*Disputes*).
- *Employee benefits:* assumptions updated annually, such as the probability of personnel remaining with the Group until retirement, the projected change in future compensation, the discount rate and the mortality table (Note *28—Post-employment benefits).*
- *Revenue:* identification of the separable elements of a packaged offer and allocation on the basis of the relative fair values of each element; the period of deferred revenue related to costs to access the service on the basis of the type of product and the term of the contract; presentation as net or gross revenue depending on whether the Group is acting as agent or principal (Note *8—Segment information)*.
- *Fair value of financial instruments:* fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted cash flows (Note *31—Financial instruments*).
- *Deferred taxes*: estimates for the recognition of deferred tax assets updated annually such as the future tax results of the Group or the likely changes in active and passive temporary differences (Note 13—*Income taxes).*
- *Impairment tests*: these tests concern goodwill and intangible assets with an indefinite life span; in the context of impairment tests, the assumptions relating to the determination of Cash-Generating Units (CGU), future cash flows and discount rates are updated annually (Note *14—Goodwill and impairment tests*).
- *Intangible assets and property, plant and equipment:* estimate of the useful life based in particular on the effective obsolescence of the assets and the use made of those assets (Note *15—Intangible assets* and Note 16—*Property, plant and equipment).*
- *Trade and other receivables:* trade receivables are provisioned (i) on the basis of the historically observed recovery rate and/or (ii) on the basis of a specific recoverability analysis.

In the context of the Purchase Price Allocation, the Group made estimates in order to determine the fair value of the identifiable assets and liabilities and the contingent liabilities.

4 Significant events for the fiscal year ended December 31, 2015

4.1 Memorandum of Understanding (MoU) signed with Vivendi on February 28, 2015

On February 18, 2015, Numericable-SFR and its majority shareholder Altice filed a firm offer to buy the 20% interest held by Vivendi in Numericable-SFR, at €40 per share, representing a total of approximately €3.9 billion.

On February 27, 2015, Vivendi's Supervisory Board accepted Numericable-SFR's offer, signing final agreements to buy the 20% interest held by Vivendi.

The acquisition was completed on May 6, 2015, half of it paid by Numericable-SFR as part of a share repurchase plan authorized by the Shareholders' Meeting of April 28, 2015, combined with a cash payment, and the other half paid by Altice.

The share purchase made by Numericable-SFR, for a total of €1,948 million, was financed through a Revolving Credit Facility (RCF) drawdown (the available amount was raised by €750 million to €1,125 million in 2015) of €1,050 million and the balance from the Group's available cash.

At its meeting of May 28, 2015, the Board of Directors decided to cancel treasury shares (48,693,922 shares), reducing consolidated equity by €1,948 million.

Again under the MoU signed with Vivendi:

(i) In early May 2015, Vivendi paid to Numericable-SFR €116 million under the price adjustment procedure agreed between the parties for the acquisition of SFR. This price adjustment was recognized as follows:

- in the Group's "restated" Consolidated Financial Statements at December 31, 2014: recognition of a claim on Vivendi in the "Other current financial assets" caption for €120 million (representing the price adjustment as valued at the acquisition date) through a reduction of the goodwill recognized in the SFR acquisition;
- in the 2015 Consolidated Financial Statements: recognition of a financial expense in the amount of €4 million (presented in "Other financial expenses").

(ii) Vivendi permanently waived the earn-out payment of €750 million that Numericable-SFR would have owed to Vivendi if EBITDA—Capex had reached €2 billion in any fiscal year before December 31, 2024. The Group reported net financial income of €643.5 million (excluding tax effects) for 2015, corresponding to the discounted value of the earn-out in the Group's non-current financial liabilities at December 31, 2014, as well as tax income of €40.5 million in 2015. The €643.5 million was recognized a financial income insofar as there was no element indicating that the waiver of the earn-out was known at the time of the acquisition.

(iii) Vivendi undertook to repay to SFR, should the tax authorities definitively disallow the merger of SFR and Vivendi Telecom International (VTI) signed in December 2011, up to €711 million that SFR had paid to it as part of its inclusion in Vivendi's tax consolidation group.

4.2 New Term loans for a total amount equivalent to €1,680 million

On October 22, 2015, Numericable-SFR successfully raised two new term loans: (i) one for $1,340 million and (ii) another for €500 million (the "Term Loans"). The Term Loans have a fixed maturity in January 2023 and bear interest at LIBOR/EURIBOR (with a floor at 0.75%) plus a margin of 4.00%. The two loans were placed at 98.5% of their face value.

The total amount of the Term Loans denominated in US dollars was converted into a euro loan for €1,184 million with a margin of 4.15% plus the EURIBOR (without a floor) using currency and rate hedging instruments.

Following the placement of these new debts, the average maturity of the Numericable-SFR debt rose from 5.9 years to 6.1 years, and the average cost of the debt from 4.8% to 4.9%.

4 Significant events for the fiscal year ended December 31, 2015 (Continued)

4.3 Mobile telephony frequencies assigned to SFR

On November 24, 2015, pursuant to Decision 2015-1454, ARCEP selected SFR for the acquisition of 2*5 MHz in the 700 MHz band.

The authorization to use the frequencies was issued by ARCEP on December 8, 2015, Decision 2015-1569. At that date, the license was capitalized for €466 million (excluding spectrum readjustment costs). The commitments related to this license are described in Note *33—Contractual commitments and obligations.*

4.4 Dividend distribution

The Numericable-SFR Shareholders' Meeting of December 15, 2015 approved an exceptional dividend distribution to shareholders of €5.70 per share, representing a total of €2.5 billion charged to the "paid-in capital" caption.

This distribution was financed by a loan in the amount of €1.6 billion and the balance from available cash and cash equivalents. The dividend was paid before December 31, 2015.

4.5 Search by the Competition Authority in the Group's premises on April 2, 2015

Accused by some of its competitors that the Group and SFR anticipated the Competition Authority's decision of October 31, 2014 authorizing the Group's takeover of SFR, the Competition Authority, overseen by the data privacy commission, gathered data from Group locations to identify factors that may indicate that it had acted prematurely on the expectation that this concentration would be authorized. The Group disputes the facts put forward by its competitors.

5 Significant events for the fiscal year ended December 31, 2014

5.1 Acquisition of SFR

On April 5, 2014, the Supervisory Board of the Vivendi Group accepted the offer from Altice, the Group's majority shareholder, to purchase its subsidiary SFR, along with that company's own subsidiaries.

On June 20, 2014, Vivendi, Altice and Numericable signed the final merger agreement between SFR and Numericable-SFR which emerged from discussions with the representative bodies of the personnel concerned.

After obtaining the approval of the Competition Authority on October 26, 2014, the acquisition was completed on November 27, 2014.

The acquisition price for SFR represents an estimated total amount at the acquisition date of €17.1 billion, including €13.2 billion in cash (See also Note 37—*Subsequent events*).

This acquisition was financed through (i) the arrangement of €11.7 billion in new funding in May 2014 (see Note 5.3—*Financing the SFT acquisition and refinancing of existing debt*) and (ii) the completion of a capital increase of €4.7 billion on October 28, 2014 (see Note 5.4—*Capital increases*).
See also Note 6—*Changes in scope*.

5.2 Acquisition of Virgin Mobile

On May 16, 2014, the Group entered into exclusive negotiations with Omer Telecom for the acquisition of Virgin Mobile.

The Group announced on June 27, 2014 that it had signed with the shareholders of the Group's holding company operating in France as Virgin Mobile, Omer Telecom Limited, the final purchase agreement for the entire share capital of Omer Telecom Limited after consulting with the representative bodies of the personnel concerned.

5 Significant events for the fiscal year ended December 31, 2014 (Continued)

The acquisition was completed on December 4, 2014 after obtaining approval from the Competition Authority. The acquisition price for Virgin represented a total of €295 million.

Vivendi invested €200 million to finance the acquisition. This amount was deducted from SFR's purchase price.

See also Note *6—Changes in scope*.

5.3 Financing the acquisition of SFR and refinancing the existing debt

To finance the SFR acquisition, in May 2014, the Group raised the equivalent of €11,653 million through bond issues (for an equivalent amount of €7,873 million) and the placement of new bank borrowings (for a total amount equivalent to €3,780 million), both in euros and in US dollars (see Note *24—Financial liabilities)*.

Of the money raised through these new borrowings, €2,750 million was used by the Group to:

- repay the full amount of Group's former Senior Debt of €2,638 million;
- pay the early redemption fee on bonds for €89 million;
- pay a portion of the costs for arranging new financing.

The repayment of the Group's former Senior Debt has been analyzed as an extinguishment of existing debt. Accordingly:

- the costs of extinguishing bond debt incurred by the Group were recognized in other financial expenses for €89 million;
- the costs relating to the extinguishment of debt, which were originally recorded at amortized cost, were recognized in other financial expenses in the amount of €22 million;

In addition, on May 21, 2014, the Group signed a new Revolving Credit Facility (RCF) for a maximum amount of €750 million, €300 million of which was available immediately and the balance of which was available after the completion of the SFR acquisition. As of December 31, 2014, this credit line was undrawn.

The costs associated with the arrangement of bond debt, bank loans and the RCF, or €250 million in total, were recognized at amortized cost using the effective interest rate method in accordance with IAS 39, and are thus spread over the maturity of the debt.

5.4 Capital increases

Numericable-SFR carried out several capital increases during the year:

- The Board of Directors meeting of October 28, 2014 voted to increase the capital through a public offering for a total amount of €4,733 million (including €266 million in new shares issued and €4,467 million in additional paid-in capital).
- The costs incurred in connection with the capital increase were fully charged to additional paid-in capital in a total amount of €13 million.
- On November 27, 2014, as part of the completion of the SFR acquisition, Numericable-SFR carried out a capital increase of €2,376 million (€97 million in capital, €2,278 million in additional paid-in capital) in consideration for the in-kind contribution by Vivendi of SFR securities. Following these transactions, Vivendi now holds a 20% stake in Numericable-SFR.
- On December 30, 2014, Numericable-SFR carried out a €0.5 million capital increase through an employee share offering.

Following these transactions, the Company's share capital amounted to €487 million and additional paid-in capital totaled €8,842 million.

6 Changes in scope

The purpose of this note is to provide additional details on the acquisitions of SFR and Virgin Mobile in 2014; the work to allocate the acquisition price was finalized within twelve months after the acquisition date. The amounts are expressed in millions of euros.

Subgroup acquired	SFR	Virgin mobile	Total
Acquisition date	November 27, 2014	December 4, 2014	
Percentage of voting rights acquired	99,99%[(a)]	100%	
Consideration paid at the acquisition date	17,012	288	17,300
Of which cash[(b)]	*13,166*	*295*	*13,461*
Of which issues of Numericable-SFR shares[(c)]	*3,282*	—	*3,282*
Of which earn-out[(d)]	*684*	—	*684*
Of which price adjustment[(e)]	*(120)*	*(7)*	*(127)*

(a) Numericable acquired all the shares of SIG 50, and all the shares of SFR S.A., which is 225,214,842 shares, less 10 shares.

(b) The net amount of €200 million corresponds to Vivendi's investment in funding the Virgin Mobile acquisition.

(c) In consideration for the SFR shares tendered by Vivendi, Vivendi obtained a 20% stake in the new Numericable-SFR entity. In accordance with the revised IFRS 3, these shares were measured at their fair value at the date of issue, i.e., on the basis of the opening market price on November 27, 2014.

(d) Discounted fair value at December 31, 2014 of the potential €750 million earn-out to Vivendi as part of the SFR acquisition deal. It should be noted that this amount will be due to Vivendi once the aggregate "Ebitda—Capex" for the newly formed group reaches €2 billion during any of the fiscal years ending no later than December 31, 2024. Also refer to Note 4—Significant events for the fiscal year ended December 31, 2015.

(e) Pursuant to the price adjustment procedure agreed on by the parties for the acquisition of SFR, an adjustment in the SFR price was recognized in the Group's "restated" Consolidated Financial Statements at December 31, 2014 in the form of a claim against Vivendi for €120 million (corresponding to the price adjustment as measured on the acquisition date). The Virgin Mobile price adjustment was recognized in the same way for the amount of €7 million.

	SFR	Virgin Mobile	Total
Other intangible assets	7,807	187	7,994
Property, plant and equipment	4,173	9	4,182
Investments in associates	124	—	124
Other non-current financial assets	132	—	132
Deferred tax assets	140	25	165
Non-current assets acquired	**12,377**	**221**	**12,598**
Inventories	335	5	340
Trade and other receivables	2,581	65	2,646
Other current financial assets	—	—	—
Income tax receivable	9	1	10
Cash and cash equivalents	247	7	254
Current assets acquired	**3,172**	**78**	**3,250**
IDENTIFIABLE ASSETS ACQUIRED	**15,548**	**299**	**15,847**

6 Changes in scope (Continued)

Identifiable liabilities assumed	SFR	Virgin Mobile	Total
Non-current financial liabilities	48	16	64
Non-current provisions	512	10	522
Deferred tax liabilities	1,343	56	1,399
Other non-current liabilities	509	—	509
Non-current liabilities assumed	**2,412**	**82**	**2,494**
Current financial liabilities	4	—	4
Current provisions	353	—	353
Trade payables and other current liabilities	4,558	131	4,689
Current income tax liabilities	83	—	83
Current liabilities assumed	**4,998**	**131**	**5,130**
IDENTIFIABLE LIABILITIES ASSUMED	**7,410**	**213**	**7,623**

	SFR	Virgin Mobile	Total
GOODWILL	**8,874**	**202**	**9,076**

In accordance with IFRS 3R—*Business Combinations*, the acquisitions of SFR and Virgin Mobile were recognized as business combinations. The identifiable assets acquired and liabilities assumed were measured at fair value at the acquisition date under Purchase Price Accounting (PPA).

6.1 Items of the SFR opening balance sheet and determination of goodwill

The fair value of the identifiable assets and liabilities of SFR was determined on the basis of the last SFR business plan available on the acquisition date using commonly used valuation methods:

- Customer relations: fair value was determined based on the excess profits method. This method is based on the discounting of the profits attributable to customer relationships, net of the asset contributing charges. These charges represent the remuneration of the assets necessary to generate the profits associated with customer relationships such as, for example, the brand, licenses, working capital requirement or tangible assets.
- SFR brand: the valuation of the SFR brand is based on the royalties' method. This method is based on the discounted sum of the royalties saved by the brand holder. These royalties are calculated by applying a market royalty rate to the future revenues generated by the sale of products and services associated with the brand.

In addition, contingent liabilities related to disputes were estimated on the basis of work performed by the Group Financial Department assisted by advisors.

The principal adjustments are related to the fair value of the intangible assets, including:

- the creation of intangible assets representing customer relationships for €2,675 million;
- the creation of intangible assets representing the "SFR brand" for €1,050 million;
- deferred tax liabilities for €1,341 million, corresponding to the tax effects associated with the adjustments in value made in the determination of the opening balance sheet.

The principal assumptions to which the assets on the opening balance sheet are sensitive are as follows:

- Customer relationships: attrition rate, change in ARPUs and operating margins;
- SFR brand: royalty rate and life span used.

Residual goodwill was €8,874 million and primarily represents the value of future custom relations, the human capital of the company and the synergies specific to the Group expected from this acquisition.

6 Changes in scope (Continued)

6.2 Acquisition of Virgin Mobile

On December 4, 2014, Numericable-SFR acquired 100% of Virgin Mobile for the price of €295 million.

The main adjustments resulting from marking the assets acquired and the liabilities assumed to fair value correspond to the adjustments in fair value of the intangible assets, including:

- the creation of intangible assets representing customer relations for €160 million;
- deferred tax liabilities for €56 million, corresponding to the tax effects associated with the adjustments in value made in the determination of the opening balance sheet.

Residual goodwill was €202 million and primarily represents the value of future customer relations, the human capital of the company and synergies specific to the Group expected from this acquisition.

6.3 Transition from provisional goodwill to definitive goodwill

The transition from provisional goodwill in Note *6—Changes in scope* to the 2014 Consolidated Financial Statements to definitive goodwill is presented below:

	SFR	Virgin Mobile	Total
		(in € millions)	
Provisional goodwill	**11,145**	**312**	**11,457**
Price adjustment	(120)	(7)	(127)
Customer bases	(2,675)	(160)	(2,835)
SFR's tradename	(1,050)	—	(1,050)
Other assets	(92)	—	(92)
Provisions (including contingent liabilities)	331	1	331
Deferred tax liabilities	1,341	56	1,397
Other liabilities	(5)	—	(5)
DEFINITIVE GOODWILL	**8,874**	**202**	**9,076**

The impact of these adjustments on net income for fiscal year 2015 is a charge of €268 million; this charge consists primarily of (i) amortization related to non-current assets recognized for €474 million and (ii) deferred tax income for €173 million.

In addition, the direct costs related to the acquisitions of SFR and Virgin Mobile amounted to €16 million in 2015 and €61 million in 2014.

7 Reconciliation of operating income to adjusted EBITDA

The following table shows the reconciliation of the operating income in the Consolidated Financial Statements to adjusted EBITDA:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
Operating income	**937**	**91**
Depreciation, amortization and impairment	2,554	496
SFR and Virgin Mobile acquisition expenses	16	61
Restructuring costs[(a)]	80	10
Costs relating to stock option plans	9	9
Other non-recurring costs[(b)]	263	42
ADJUSTED EBITDA	**3,860**	**708**

(a) In 2015, it includes the costs for restoration of the tertiary sites resulting from the combination of the employees on the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).

7 Reconciliation of operating income to adjusted EBITDA (Continued)

(b) In 2015, it includes the gains or losses on tangible and intangible assets (€188 million) and the impact over the period of the additional costs before renegotiation of contracts (€45 million).

Adjusted EBITDA is the key indicator used by the Group to measure performance. This financial indicator is not defined in IFRS. Adjusted EBITDA excludes certain items that Numericable-SFR considers not relevant to its recurring operating activities.

8 Segment information

As stated in Note *2.6—Segment information,* the Group has three operating segments:

- B2B Operations
- B2C Operations
- Wholesale

The following tables show revenue and adjusted EBITDA broken down by the three operating segments defined by the Group. For information, these two aggregates are performance indicators used and monitored by the Group to direct operating activities.

8.1 Revenue

Revenue is primarily generated in France.

The breakdown by operating segments before intra-segment eliminations is as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
B2C	7,795	1,414
B2B	2,144	468
Wholesale	1,799	396
Intercompany	(699)	(108)
TOTAL	**11,039**	**2,170**

The contributed revenue is detailed as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
B2C	7,595	1,409
B2B	2,116	464
Wholesale	1,328	297
TOTAL	**11,039**	**2,170**

8.2 Adjusted EBITDA

The contributed adjusted EBITDA breaks down by segment as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
B2C	2,373	477
B2B	686	96
Wholesale	801	135
TOTAL	**3,860**	**708**

9 Staff costs and employee benefit expenses and average number of employees

Staff costs and employee benefit expenses break down as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions, except for headcount)	
Average annual headcount[(a)]	**15,816**	**3,349**
Wages and salaries	(706)	(184)
Social security costs	(328)	(66)
Employee profit-sharing	(52)	4
Capitalized payroll costs	270	100
Staff costs	**(816)**	**(146)**
Costs related to stock option plans	(9)	(9)
Employee benefit plans	(10)	(1)
Other[(b)]	(43)	(14)
STAFF COSTS AND EMPLOYEE BENEFIT EXPENSES	**(877)**	**(170)**

(a) Full-time equivalent.

(b) Includes among other things the costs of various personnel as well as the provisions for risks, excluding the provisions for retirement benefits (see Note 38—Restated information).

The amount of staff costs included in "Other non-recurring expenses and income" is €7 million.

10 Other operating expenses

Other operating expenses consist primarily of the following items:

	December 31, 2015
	(in € millions)
Network operation and maintenance	(807)
Sales and marketing	(615)
Customer service	(514)
General and administrative expenses	(309)
Taxes	(223)
OTHER OPERATING EXPENSES	**(2,467)**

Given the change in the presentation of the Consolidated Financial Statements described in Note *1.1—Basis of preparation of the financial information* and the creation of new cost accounting centers in 2015 as a result of the changes within the Group, there is no comparison of the other operating expenses with respect to December 31, 2014.

11 Other non-recurring income and expenses

Other non-recurring income and expenses consist of the following items:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
Net restructuring costs	(80)	(10)
Other non-recurring costs	(47)	(86)
Gain and loss on sales of property, plant, equipment and intangible assets	(188)	(16)
Other	0	—
OTHER NON-RECURRING INCOME AND EXPENSES	**(314)**	**(112)**

See Note *7—Reconciliation of operating income to adjusted EBITDA.*

12 Net financial income

The cost of gross debt was up from €504 million in 2014 to €781 million in 2015. It is primarily comprised of the following items:

- The interest on the senior debt for €616 million in 2015 versus €433 million in 2014. The increase in interest over 2014 comes from the new fixed-term loans contracted in July and November 2015;
- The amortization of the financial expenses related to the placement of the financing, which represents a charge of €49 million in 2015 versus €55 million in 2014 (in 2014, this amount included a non-recurring expense of €22 million for the unamortized portion of the expenses on the debt extinguished in May 2014);
- The currency translation adjustments on the financial debt and instruments in dollars, recognized through profit or loss for €30 million in 2015 compared with €17 million in 2014. It should be noted that the Group arranged cross-currency swaps to hedge the EUR/USD exchange rate risk stemming from the interest payments and repayment of principal to be made in US dollars for the bonds and term loans related to the 2014 refinancing and the acquisition of SFR, as well as for the new term loans contracted in 2015;
- An expense of €86 million in 2015 (zero in 2014) corresponding to the negative fair value of the rate swaps contracted by the Group in July 2015 for the purpose of cancelling the rate hedge on the coupons over the period of 2019-2022 on the 2022 and 2024 Bonds against payment of a cash balance to Numericable-SFR. As these swaps were not classified as hedges, their fair value at December 31, 2015 was recognized directly in financial income.

Financial income and other financial expenses are detailed below:

	December 31, 2015	December 31, 2014 restated[1]
	((in € millions)	
Earn-out liability to Vivendi extinction[(a)]	644	—
Other financial income[(b)]	138	15
FINANCIAL INCOME	**782**	**15**
Costs of extinguishing debt (refinancing)	—	(89)
Provisions and unwinding of discount	(18)	(7)
Other	(29)	(15)
OTHER FINANCIAL EXPENSES	**(47)**	**(111)**

(a) Vivendi definitively waived the potential earn-out of €750 million. Accordingly, the Group recognized net financial income of €644 million representing the discounted value of the earn-out that appeared in the Group's non-current financial liabilities at December 31, 2014.

(b) Primarily includes financial income of €124 million for guarantees granted by Vivendi.

13 Income tax expense

13.1 Income tax expense components

	December 31, 2015	December 31, 2014 restated[1]
	((in € millions)	
Tax income (expense)		
Current	(232)	33
Deferred	17	284
INCOME TAX INCOME (EXPENSE)	**(215)**	**317**

13 Income tax expense (Continued)

13.2 Tax proof

	December 31, 2015	December 31, 2014 restated[1]
	((in € millions)	
Net income (loss)	682	(188)
Neutralization :		
Income tax expense (income)[(d)]	(215)	317
Share in net income (loss) of associates	6	4
PROFIT BEFORE TAXES	**892**	**(509)**
Statutory tax rate in France	38.0%	38.0%
Theoretical tax[(d)]	**(339)**	**193**
Reconciliation between the theoretical tax rate and the effective tax rate :		
Effects of permanent differences[(a)]	258	(47)
Tax credits/tax assessments	(42)	3
CVAE net of current and deferred taxes[(b)]	(41)	(10)
Differences on income tax rate[(c)]	(28)	—
Reassessments of deferred taxes[(d)]	(23)	178
Other	1	(0)
INCOME TAX INCOME (EXPENSE)	**(215)**	**317**
Effective tax rate[(d)]	24.1%	62.4%

(a) Corresponds primarily to the theoretical tax calculated on the financial income of €750 million recognized following Vivendi's waiver of the potential earn-out (see Note 4—Significant events for the fiscal year ended December 31, 2015).

(b) Corresponds to the tax charge on the added value of businesses (CVAE) reclassified as corporate income tax under the IFRS (€81 million), net of the tax (€40 million).

(c) Article 15 of the 2014 Supplementary Budget Act extended the application of the 10.7% tax on the corporate income tax stipulated by Article 235 ter ZAA of the French General Tax Code for fiscal years ending up to December 30, 2016. As the Group companies close their fiscal year at December 31, this contribution will no longer be applicable in 2016. In this context, the rate used to calculate deferred taxes fell from 38% at December 31, 2015 to 34.43% (i.e., a corporate rate of 33.3% plus the social surtax of 3.3%).

(d) In 2014, the Group recorded a net tax savings related to the capitalization of loss carry forwards. As a result, the theoretical tax calculated on income from continuing operations and the effective tax rate show a tax expense (tax income).

13 Income tax expense (Continued)

13.3 Change in deferred taxes by type

The change in deferred taxes for the year is broken down in the following table according to the deferred tax basis:

	December 31, 2014 restated	Income statement	Other	December 31, 2015
		((in € millions)		
Deferred tax assets				
Tax losses[a]	1,162	(210)	(61)	891
Provisions	82	24	(14)	92
Property, plant and equipment and intangible assets	407	(7)	(13)	388
Derivative instruments	71	24	(21)	74
Other	133	6	4	142
Offsetting[b]	(523)	—	(208)	(730)
Deferred tax assets, gross	**1,332**	**(164)**	**(312)**	**856**
Unrecognized tax assets				
Tax losses[a]	(703)	42	60	(601)
Other	(128)	(117)	(8)	(253)
Deferred tax assets, net	**501**	**(239)**	**(260)**	**2**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	1,603	(232)	7	1,378
Derivative instruments	83	15	(8)	91
Other	130	(39)	(13)	78
Offsetting[b]	(523)	—	(208)	(730)
Deferred tax liabilities	**1,294**	**(256)**	**(222)**	**816**
NET DEFERRED TAX ASSETS (LIABILITIES)	**(793)**	**17**	**(38)**	**(814)**

(a) As of December 31, 2015, the Group recognized a deferred tax asset for €290 million on the basis of projections of future use of the loss carry forward deemed probable.

It should be noted that the majority of all losses are indefinitely deferrable.

(b) In accordance with IAS 12—Income Tax, the deferred tax assets and liabilities of a given tax group may be offset against each other provided they all relate to income tax levied by the same tax authority; the Group has a legally enforceable right to offset tax assets and liabilities.

13.4 Tax receivables

At year-end, tax receivables corresponded mainly to the corporate income tax installments paid in 2015.

14 Goodwill and impairment tests

14.1 Change in goodwill

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Net carrying amount	**10,554**	**1,484**
Acquisitions[(a)]	—	9,076
Disposals	—	(5)
Other	—	—
NET VALUE AT END OF YEAR	**10,554**	**10,554**

(a) See Note 6—Changes in scope.

For the purposes of the impairment tests, goodwill is allocated in value at the level of the three operating segments monitored by the Group as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
B2C Operations	5,613	5,613
B2B Operations	3,017	3,017
Wholesale	1,924	1,924
TOTAL	**10,554**	**10,554**

14.2 Impairment tests

The impairment tests described in this note were on the goodwill of the Group, on the basis of their useful value, assessed from projections of discounted future cash flows taking into consideration the operating segments as defined by the Group (see Note *2.6—Segment information).*

14.3 Principal assumptions used

The goodwill impairment test was conducted on the basis of the operating segments defined above. In accordance with IAS 36 on impairment of goodwill, the impairment test is performed by comparing the carrying amount with the recoverable amount for each of the operating segments.

The conditions for allocation of assets and liabilities shared by the operating segments are described in Note *2.14—Impairment of assets*.

The recoverable amount is determined based on the value in use using a discounted cash flow model. The value in use is determined by using cash projects based on financial budgets approved by Management covering a six-year period.

Projections of subscribers, revenue, costs and capital expenditure are based on reasonable and acceptable assumptions that represent Management's best estimates. These assumptions are based on the projected number of subscribers, the level of expenses to improve network infrastructures, and the savings related to the continued implementation of the synergies identified by the Group. The projections are based on both past experience and the expected future market penetration of the various products. All these elements have been assigned, either directly or indirectly, to the operating segments of the Group.

As indicated in Note *2.14—Impairment of assets,* the determination of the value in use also depends on assumptions such as the discount rate and the perpetuity growth rate.

14 Goodwill and impairment tests (Continued)

The value in use is determined from the following estimates at December 31, 2015:

Basis of recoverable amount	Value in use
Methodology	DCF
Projection period	6 years
Post-tax discount rate	7.00%
Perpetuity growth rate	1.00%

At December 31, 2015, the recoverable value would be equal to the carrying value if one of the main assumptions changed as follows:

	B2B	B2C	Wholesale
Discount rate increase	+4.4%	+1.4%	+1.9%
Growth rate decrease	-7.2%	-1.9%	-2.7%
Decrease in the adjusted Ebitda margin over the business plan and terminal value period	-11.5%	-4.8%	-6.7%

15 Other intangible assets

15.1 Intangible assets by type:

The presentation of the breakdown of intangible assets by type was changed to offer better readability following the application of Purchase Price Accounting:

	December 31, 2015			December 31, 2014 restated		
	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
	(in € millions)					
SFR trade name[(a)]	1,050	(76)	974	1,050	(6)	1,044
Licenses[(b)]	2,190	(149)	2,041	1,756	(12)	1,745
Customer bases[(c)]	2,875	(368)	2,508	2,875	(32)	2,843
Software	1,887	(754)	1,134	1,504	(304)	1,200
Other intangible assets[(d)]	2,316	(989)	1,327	2,146	(583)	1,563
TOTAL	**10,318**	**(2,335)**	**7,983**	**9,331**	**(936)**	**8,395**

(a) The SFR brand was valued at the time of application of Purchase Price Accounting (refer to Note 6—Changes in scope) and is amortized over 15 years.

(b) Includes the licenses held by SFR at the time it was acquired (refer to Note 2.11—Intangible assets). In addition, in the context of the allocation of frequencies in the 700 MHz band, SFR acquired new frequencies for the amount of €466 million (excluding spectra). This amount was discounted.

(c) Includes mainly:

The SFR customer base as valued at the time of application of Purchase Price Accounting for a gross value of €2,700 million amortized over 9 years;

The Virgin Mobile customer base as valued at the time of application of Purchase Price Accounting for a gross value of €160 million amortized over 5 years.

(d) Primarily include the rights to use the cable infrastructure and civil engineering facilities built by the historical operator France Telecom, the concession contracts (IFRIC 12), the costs of customer acquisition and service access fees.

15 Other intangible assets (Continued)

15.2 Change in net intangible assets:

The following is a breakdown of the change in intangible assets:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Net carrying amount in the opening balance	**8,395**	**307**
Amortization and impairment	(1,454)	(144)
Acquisitions	1,158	158
Disposals	(147)	(10)
Changes in scope	—	7,994
Other	32	89
NET BOOK VALUE IN THE CLOSING BALANCE	**7,983**	**8,395**

15.3 Breakdown of amortization and impairment:

The following is a breakdown of amortization and impairment:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
SFR trade name	(70)	(6)
Licenses	(137)	(12)
Customer bases	(336)	(28)
Software	(447)	(38)
Other intangible assets	(464)	(60)
TOTAL	**(1,454)**	**(144)**

16 Property, plant and equipment

16.1 Property, plant and equipment by type:

The following is a breakdown of property, plant and equipment by type:

	December 31, 2015			December 31, 2014 restated		
	Gross	Dep. & impairment	Net	Gross	Dep. & impairment	Net
			(in € millions)			
Land	90	(1)	88	85	(1)	84
Buildings	1,656	(257)	1,399	1,553	(135)	1,418
Technical equipment	5,235	(2,158)	3,078	4,955	(1,942)	3,012
Assets in progress	344	(7)	338	346	(6)	340
Other	1,266	(543)	724	981	(192)	789
TOTAL	**8,591**	**(2,965)**	**5,627**	**7,920**	**(2,277)**	**5,643**

Buildings mainly consist of technical website hosting, constructed buildings and their respective amenities.

Technical facilities include mainly network and transmission equipment.

Property, plant and equipment in progress consist of equipment and network infrastructures.

“Other” items include boxes (ADSL, fiber and cable).

16 Property, plant and equipment (Continued)

16.2 Change in net property, plant and equipment:

The following is a breakdown of the change in property, plant and equipment:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Net carrying amount in the opening balance	**5,643**	**1,465**
Amortization, depreciation and impairment	(1,100)	(352)
Acquisitions	1,213	444
Disposals	(80)	(25)
Changes in scope	—	4,182
Other	(50)	(70)
NET BOOK VALUE IN THE CLOSING BALANCE	**5,627**	**5,643**

16.3 Breakdown of amortization and impairment:

The following is a breakdown of amortization and impairment:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Buildings	(140)	(15)
Technical equipment	(575)	(293)
Assets in progress	(0)	2
Other tangible assets	(384)	(46)
TOTAL	**(1,100)**	**(352)**

16.4 Property, plant and equipment financed by finance leases:

The net carrying amount of the assets held through finance lease contracts breaks down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Land	6	6
Buildings	32	37
Network and technical equipment	88	65
Other	3	4
TOTAL	**128**	**112**

17 Investments in associates

The change for the fiscal year can be analyzed as follows:

	(in € millions)
Balance as at December 31, 2014 restated	**126**
Equity in net income	6
Other[a]	(23)
BALANCE AS AT DECEMBER 31, 2015	**110**

(a) Including the capital reimbursement of the real estate companies Rimbaud 3 and Rimbaud 4 for €18 million.

17 Investments in associates (Continued)

The equity associate that made the best contribution to results is Synerail Construction, the company in charge of construction within GSMR (€6 million).

17.1 Main interests in associates

The amount of “Investments in associates” breaks down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Numergy[(a)]	78	79
La Poste Telecom[(b)]	—	—
Other associates	26	19
Associates	**104**	**98**
Synerail[(c)]	—	—
Foncière Rimbaud[(d)]	6	28
Joint ventures	**6**	**28**
TOTAL	**110**	**126**

The main investments in associates are as follows:

(a) SFR, Bull and Caisse des Dépôts formed Numergy in 2012 (in which the Group holds 46.7%). This company offers IT infrastructure capable of hosting data and applications, accessible remotely as a secure service known as “cloud computing” services. The Group’s share amounting to €105 million is only 25% paid up. The debt for the unpaid portion appears in liabilities in the amount of €79 million (see Note *30—Other current liabilities*). The value of the securities was reduced to the amount of capital not paid up, i.e., €79 million at end-2014. As a result of new losses recorded in 2015, the value of the securities is €78 million.

On January 22, 2016, the Group acquired the shares held by Caisse des Dépôts and Bull (see Note *37—Subsequent events*).

(b) In 2011, SFR and La Poste formed La Poste Telecom, of which they own 49% and 51%, respectively. This subsidiary is a virtual mobile operator in the retail mobile telephony market under the trademark La Poste Mobile. The negative value of the equity interests in La Poste Telecom was adjusted to zero by offsetting against provisions totaling €21.4 million at year-end 2015.

(c) On February 18, 2010, a group comprised of SFR, Vinci and AXA (30% each) and TDF (10%) signed a GSM-R public-private partnership contract with Réseau Ferré de France. This contract, worth a total of one billion euros over a 15-year term, is to finance, build, operate and maintain a digital telecommunications network to provide voice and data communication between trains and ground control teams in conference mode. The network will be rolled out gradually on 14,000 km of traditional and high-speed rail lines in France. The negative value of the equity interests in Synerail was adjusted to zero by offsetting against provisions totaling €4.2 million at end-2015.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four subsidiaries in common which they own 50:50—Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4—as part of the construction of SFR’s headquarters in Saint-Denis. This project was completed in two tranches. The first tranche of buildings carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered in late 2013. The second tranche carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 was delivered in the third quarter of 2015. As a portion of the property complex was sold off-plan (VEFA), Foncière Rimbaud companies continue for the time needed to finalize the operations.

17 Investments in associates (Continued)

The shareholding percentages of these principal equity associates are indicated in Note *35—List of consolidated entities*.

17.2 Condensed financial information

The following table presents the condensed financial information on significant equity associates:

	Numergy		La Poste Telecom		Synerail	
	2015	2014	2015	2014	2015	2014
	(in € millions)					
Revenues	4	2	202	182	167	170
Net income (loss)	(16)	(20)	(9)	(6)	2	(18)
Equity	168*	184	(83)	(67)	(15)	(33)
Cash (-)/Net debt (+)	2	5	51	56	487	435
Total balance sheet	175	190	38	40	598	528

* Of which €79 million in subscribed capital not paid by SFR as of December 31, 2015.

18 Other non-current assets

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Derivative financial instruments[(a)]	1,915	911
Other[(b)]	198	92
Non-current financial assets	2,112	1,003
Other non-current assets	57	50
OTHER NON- CURRENT ASSETS	**2,169**	**1,053**

(a) See Note 25.1—Fair value of derivative instruments.

(b) Includes the offsetting entry for the financial income of €124 million recognized for the guarantees granted by Vivendi.

19 Inventories

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Inventories of terminals and accessories	317	281
Other	13	18
Inventories—gross	**331**	**299**
Impairment	(45)	(43)
INVENTORIES—NET VALUE	**286**	**256**

Inventories are primarily comprised of handsets (mobile and boxes) and accessories.

The handsets inventories at December 31, 2015 consisted of €110 million classified as inventories on deposit with distributors (classified as agents) (€109 million in 2014).

20 Trade and other receivables

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Trade receivables[(a)]	2,277	2,246
Impairment of doubtful debts[(b)]	(442)	(475)
Trade receivables, net	1,835	1,771
Receivables from suppliers	217	193
Tax and social security receivables	538	599
Prepaid expenses	108	160
Other receivables non-operating	25	9
TRADE AND OTHER RECEIVABLES, NET	**2,723**	**2,732**
Corporate tax[(c)]	270	250
Corporate tax integration receivables	1	1
TAX RECEIVABLES	**271**	**252**

(a) The trade receivables disclosed above are measured at amortized cost. Due to their short-term maturity, fair value and amortized cost are an estimate for the nominal amount of trade receivables.

(b) The Group considers that there is no significant risk of not recovering unprovisioned receivables due. The concentration of counterparty risk connected with trade receivables is limited as the Group's customer portfolio is highly diversified and not concentrated given the large number of customers, especially in B2C activities, with many millions of individual customers.

In the B2B segment, the twenty principal customers of the Group represent less than 5% of Group revenue.

In the operator business, revenue is more concentrated as the largest customers are the telecommunication operators (Orange, Bouygues Telecom, Free Mobile, etc.) for which the risk is moderate given the reciprocal interconnection flows. Orange, the Group's largest operator customer, is also its largest supplier.

(c) Tax receivables represent the installment paid in 2015.

21 Other current financial assets

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Price adjustment—SFR and Virgin Mobile[(a)]	—	127
Derivative financial instruments	—	1
Other	2	7
OTHER CURRENT FINANCIAL ASSETS	**2**	**135**

(a) See Note 6—Changes in scope

22 Cash and cash equivalents

Cash and cash equivalents as of December 31, 2015 can be broken down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Cash	210	191
Cash equivalents[(a)]	144	429
CASH AND CASH EQUIVALENTS	**355**	**620**

(a) Cash equivalents mainly correspond to money-market UCITS.

23 Equity

At December 31, 2015, Numericable-SFR's share capital, based on the number of shares issued at that date, amounted to €440,129,753 comprising 440,129,753 ordinary shares with a nominal value of €1 each.

23.1 Change in share capital

Date	Transaction	Shares issued
December 31, 2014		**486,939,225**
May 28, 2015	Cancellation of treasury shares	(48,693,922)
November 24, 2015	Exercise of stock options	1,884,450
DECEMBER 31, 2015		**440,129,753**

23.2 Treasury shares

As indicated in Note *4—Significant events for the fiscal year ended December 31, 2015*, in May 2015, the Group bought back 48,693,922 of its own shares from Vivendi. These shares were then cancelled on May 28, 2015.

In addition, in early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its traded shares and the regularity of their prices on NYSE Euronext Paris.

As of December 31, 2015, the Group held 44,517 treasury shares as part of the liquidity contract.

23.3 Earnings per share

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
NET INCOME USED FOR CALCULATING BASIC EARNINGS PER SHARE	**675**	**(188)**
Impact of dilutive instruments :		
Stock option plans[(a)]	—	—
NET INCOME USED FOR CALCULATING DILUTED EARNINGS PER SHARE	**675**	**(188)**

(a) Stock options granted at end-2015 (7,502,636 options) are non-dilutive in view of the change in share price between the grant date and the balance sheet date, and the valuation of the plans.

The table below shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	December 31, 2015	December 31, 2014 restated
	(number of shares)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**458,180,714**	**181,038,305**
Impact of dilutive instruments :		
Stock option plans	—	—
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED	**458,180,714**	**181,038,305**

23 Equity (Continued)

23.4 Capital management and dividends

The Group manages its capital as part of a financial policy intended to ensure flexible access to capital markets, including for selective investment in development projects, and to remunerate shareholders.

The amounts available for shareholder remuneration, when in the form of dividends, are determined (i) based on distributable profits and reserves, in accordance with French standards, of the entity Numericable-SFR, the Group's parent company and (ii) restrictions in bond terms and conditions lifted in 2014 limiting the Group's capacity to pay dividends and (iii) commitments made in existing shareholder agreements.

The Shareholders' Meeting of December 15, 2015 approved an exceptional distribution of dividends in the amount of €5.70 per share, a total amount of €2.5 billion, which was charged to the "additional paid-in capital" caption.

The Group did not pay dividends to its shareholders in fiscal years 2014 or 2013.

24 Financial liabilities

Financial liabilities break down as follows:

	Current		Non-current		Total	
	December 31, 2015	December 31, 2014 restated	December 31, 2015	December 31, 2014 restated	December 31, 2015	December 31, 2014 restated
	(in € millions)					
Bonds	173	163	9,305	8,572	9,478	8,735
Term loans	81	16	7,050	3,967	7,132	3,983
Derivative instruments	—	—	87	—	87	—
Borrowings and financial liabilities	**254**	**179**	**16,443**	**12,539**	**16,697**	**12,718**
Finance lease liabilities	31	37	35	32	66	69
Perpetual subordinated notes ("TSDI")	—	—	43	40	43	40
Deposits received from customers	14	17	121	69	135	86
Bank overdrafts	126	36	—	—	126	36
Vivendi earn-out	—	—	—	644	—	644
Other	418	9	16	25	434	34
Other financial liabilities	**588**	**99**	**215**	**810**	**803**	**909**
FINANCIAL LIABILITIES	**842**	**278**	**16,658**	**13,349**	**17,500**	**13,627**

Financial liabilities issued in US dollars are converted at the following closing rate:

- At December 31, 2015: €1 = $1.0887
- At December 31, 2014: €1 = $1.211

24 Financial liabilities (Continued)

24.1 Bonds

Bonds can be broken down as follows:

Original currency	Maturity	Coupon in foreign currency	Coupon in euros[1]	Original amount (millions) in foreign currency	Original amount (millions) in euros[2]	Outstanding amount at December 31 (millions) in euros[3]	
						2014	2015
EUR	May 2022	5.38%	5.38%	1,000	1,000	1,000	1,000
EUR	May 2024	5.63%	5.63%	1,250	1,250	1,250	1,250
USD	May 2019	4.88%	4.35%	2,400	1,736	1,982	2,204
USD	May 2022	6.00%	5.14%	4,000	2,893	3,303	3,674
USD	May 2024	6.25%	5.38%	1,375	994	1,135	1,263
TOTAL					**7,873**	**8,670**	**9,392**

1 Corresponds to the interest rate of hedging instruments.

2 Corresponding value at the exchange rate of hedging instruments (€1 = $1.3827).

3 Amounts expressed exclude accrued interest (€201 million as of December 31, 2015 and €186 million as of December 31, 2014) and exclude the impact of the effective interest rate (€115 million as of December 31, 2015 and €121 million as of December 31, 2014). Including accrued interest and impact of EIR, the total bond borrowings amounted to €9,478 million as of December 31, 2015 and €8,735 million as of December 31, 2014.

24.2 Bank borrowings

In July 2015, the Group drew two new tranches of the Term Loan in order to repay the Revolving Credit Facility (RCF) that had been drawn in the amount of €800 million at June 30, 2015:

- a B5 tranche denominated in US dollars in the amount of €498 million;
- a B5 tranche of €300 million.

These tranches will mature in July 2022 and will be repaid at the rate of 0.25% of the nominal amount each quarter.

In November 2015, the Group drew two new tranches of the Term Loan in order to finance the dividend paid in December 2015:

- a B6 tranche denominated in US dollars in the amount of €1,184 million;
- a B6 tranche of €500 million.

These tranches will mature in January 2023 and will be repaid at the rate of 0.25% of the nominal amount each quarter.

24 Financial liabilities (Continued)

Bank loans break down as follows (the new tranches issued in 2015 are shown in italics):

Currency	Tranche	Maturity	Reference interest rate	Margin in foreign currency[1]	Margin in euros[2]	Original amount (millions) in foreign currency	Original amount (millions) in euros	Outstanding amount at December 31 (millions) in euros[4]	
								2014	2015
EUR	B1/B2/B4	May 2020	Euribor 3M	4.500%	4.500%	1,900	1,900	1,900	1,881
USD	B1	May 2020	Libor 3M	4.500%	4.214%	1,394	1,008[3]	1,151	1,268
USD	B2	May 2020	Libor 3M	4.500%	4.209%	1,206	872[3]	996	1,097
USD	*B5*	July 2022	Libor 3M	4.563%	4.043%	550	*498*[3]	—	*505*
EUR	*B5*	July 2022	Euribor 3M	4.563%	4.563%	300	*300*	—	*300*
USD	*B6*	Jan. 2023	Libor 3M	4.750%	4.150%	1,340	*1,184*[3]	—	*1,231*
EUR	*B6*	Jan. 2023	Euribor 3M	4.750%	4.750%	500	*500*	—	*500*
Revolving Credit Facility (RCF)[5]						—	—	—	*450*
TOTAL							**6,262**	**4,047**	**7,232**

1 Including a minimum (“floor”) of 0.75%. Interest is payable quarterly at the end of January, April, July and October.

2 Corresponds to the interest rate of hedging instruments.

3 For loans in dollars, the corresponding value at the exchange rate for hedging instruments (€1=$1.3827 for tranches B1/B2, €1=$1.1041 for tranche B5, €1= $1.1318 for tranche B6).

4 Amounts expressed exclude accrued interest (€49 million as of December 31, 2015 and €32 million as of December 31, 2014) and exclude the impact of the effective interest rate (€149 million as of December 31, 2015 and €96 million as of December 31, 2014). Including accrued interest and impact of EIR, total bank borrowings amounted to €7,132 million as of December 31, 2015, and €3,983 million as of December 31, 2014.

5 In May 2014, the Group signed a Revolving Credit Facility (“RCF”) agreement wherein the maximum amount able to be drawn rose from €750 million at end-2014 to €1,125 million at end-2015. At December 31, 2015, this line of credit had been drawn by €450 million (it had not been drawn at end-2014).

Bank loans, with the exception of the RCF, will all be repaid at the rate of 0.25% of the nominal amount each quarter.

24.3 Vivendi earn-out

The earn-out, which would have been due from Numericable-SFR to Vivendi if EBITDA-CAPEX reaching €2 billion in any fiscal year before December 31, 2024, was canceled under the agreement signed with Vivendi in February 2015.

24.4 Other

Other financial liabilities include, as of December 31, 2015, a debt for €171 million linked to the setting-up, during the fiscal year, of a non-deconsolidated receivables securitization contract and a debt of €241 million linked to the setting-up of a reverse factoring contract during the fiscal year.

Securitization

In late March 2015, SFR SA sold without recourse its portfolio of company receivables established March 22, 2015, net of assets and excluding certain customers not eligible for this type of transaction for a price of €210 million to Ester Finance Titrisation, a 100% owned subsidiary of the Crédit Agricole Corporate and Investment Banking group. Each month, SFR SA sells without recourse the new receivables that have arisen during the month and returns the payments received on the receivables sold during the preceding sales to Ester. Ester Finance Titrisation has committed to purchasing the receivables of the Business segment of SFR SA for a 5-year period, for a maximum of €220 million, on a monthly basis and via a revolving structure. This commitment could end as is standard for this type of transaction with the occurrence of certain events (bankruptcy of seller or its shareholder,

24 Financial liabilities (Continued)

noncompliance with certain obligations or commitment, default of payment connected to the securitization transaction, and noncompliance with certain performance covenants solely related to the portfolio sold). SFR SA continues to handle the relationship with the Business customer, billing, collection and recovery of receivables. Ester Finance Titrisation pays SFR SA for these services. As the sale is without recourse, Ester Finance Titrisation assumes the risk of dilution, non-payment or non-recoverability. In order to protect itself from this risk, the sale price is not the face value of the receivables, but the face value with a discount. SFR SA pays Ester Finance Titrisation for its irrevocable commitment to purchase eligible receivables from SFR SA with a commission of 0.70% per year. SFR SA also pays, at the reference rate, which is the average of the 1-month EURIBOR and 2-month EURIBOR, plus a 1.40% margin per year, for the provision of Ester Finance Titrisation funds between the sale date and date of effective payment of the bill by SFR SA's business customer.

Reverse factoring

In August 2015, SFR SA, a subsidiary of the BNP Paribas Group and around ten of the main service or equipment providers of SFR SA set up new agreements for payment of SFR SA's provider bills. By amending the contract linking the provider and SFR SA, it was determined that the BNP Paribas subsidiary would take over the invoices of this provider in exchange for payment at the initial bill deadline. In a separate agreement, SFR SA committed to paying the subsidiary of BNP Paribas for a bill with an extended deadline, whose extension could not exceed 360 days after the provider issued it. SFR SA pays the subsidiary of the BNP Paribas Group to extend the maturity date of the invoice to EURIBOR 1, plus a margin. As of December 31, 2015, the invoices of 8 providers, at around €207 million, were incorporated into this maturity extension program. These invoices will mature in the third or fourth quarter of 2016.

In November 2015, SFR SA, a subsidiary of the Société Générale Group and other group providers established agreements that were similar to those described above to extend the maturity of some invoices of these providers. As of December 31, 2015, the invoices of 4 providers at around €33 million were incorporated into this maturity extension program. These invoices will mature in the third or fourth quarter of 2016.

24.5 NET FINANCIAL DEBT

Net financial debt as defined and utilized by the Group can be broken down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Bonds	9,392	8,670
Term loans	7,231	4,047
Finance lease liabilities	66	69
Other financial liabilities	147	70
Financial Liabilities contributing to net financial debt[(a)]	**16,836**	**12,856**
Cash and cash equivalents	355	620
Net derivative instruments	1,828	912
Financial Assets contributing to net financial debt[(b)]	**2,183**	**1,532**
NET FINANCIAL DEBT (A)—(B)	**14,653**	**11,325**

(a) Liability items correspond to the nominal value of financial liabilities (excluding accrued interest, impact of EIR, perpetual subordinated notes, operating debts (notably guarantee deposits, securitization debts and reverse factoring) and earn-out to Vivendi). All these liabilities are translated at the closing exchange rates.

(b) Asset items consist of cash and cash equivalents, near-cash assets, and the value of derivatives, which, as of December 31, 2015, show a positive currency translation impact of €2,080 million and an interest rate loss of €252 million. The corresponding figures as of December 31, 2014 were a positive currency effect of €1,063 million and an interest rate loss of €151 million.

24 Financial liabilities (Continued)

24.6 Senior Debt Liquidity Risk

The following table breaks downs, for the Group's senior debt (bonds, bank loans and RCF) the future undiscounted cash flows (interest payments and repayment of the nominal amount).

	2016	2017	2018	2019	2020	2021 and beyond	Total
				(in € millions)			
USD bonds	278	278	278	991	299	5,613	7,738
USD term loans	196	194	191	200	1,882	1,813	4,476
EUR bonds	124	124	124	124	124	2,606	3,226
EUR term loans	149	149	148	147	1,895	835	3,324
RCF	23	23	23	23	461	—	555
TOTAL	**770**	**768**	**765**	**1,485**	**4,661**	**10,867**	**19,318**

The main assumptions used in this schedule are as follows:

- US dollar amounts are translated to euros at the closing rate (€1 = $1.0887) and also refer to the specific assumptions for debts denominated in US dollars as described in Note *2.4—Liquidity risk on debts in foreign currencies*;
- Calculations of interest are based on the Euribor and Libor rates at December 31, 2015 (which leads at that date to applying the floor on variable rate loans);
- The maturity dates of bonds and loans are positioned at the contractual maturity date (no early repayment is planned).

25 Derivative Instruments

25.1 Fair value of derivative instruments

Note	Type	Underlying element	December 31, 2015	December 31, 2014 restated
			(in € millions)	
		2019 USD bonds	430	218
		2022 USD bonds	740	333
		2024 USD bonds	253	114
25.2	Cross-currency swaps	2020 USD refinancing term loan	261	127
		2020 USD non-refinancing term loan	225	119
		2022 USD term loan	1	—
		2023 USD term loan	5	—
25.3	Interest rate swaps	Fixed rate—Floating rate	(86)	—
		Derivative instruments classified as assets	1,915	911
		Derivative instruments classified as liabilities	(87)	—
		NET DERIVATIVE INSTRUMENTS	**1,828**	**911**
		o/w currency effect	*2,080*	*1,063*
		o/w interest rate effect	*(252)*	*(151)*

In accordance with IAS 39, the Group uses the fair value method to recognize its derivative instruments.

The fair value of derivative financial instruments (cross currency swaps) traded over-the-counter is calculated on the basis of models commonly used by traders to measure these types of instruments. The resulting fair values are checked against bank valuations.

25 Derivative Instruments (Continued)

The measurement of the fair value of derivative financial instruments includes a “counterparty risk” component for asset derivatives and an “own credit risk” component for liability derivatives. Credit risk is measured on the basis of the usual mathematical models and market data (implicit credit spreads).

A three-level hierarchy is applied when measuring fair value:

- Level 1: prices listed on an active market;
- Level 2: internal model with parameters that are observable using internal valuation techniques. These techniques rely on the usual mathematical calculation methods that include observable market data (futures prices, yield curve, etc.);
- Level 3: an internal model with non-observable parameters.

At December 31, 2015, the fair value of the derivatives was Level 2.

25.2 Cross currency swaps

Cross currency swaps subscribed to by the Group are intended to neutralize the exchange rate impacting future financial flows (nominal amount, coupons) or to convert the LIBOR exposure for drawdowns in US dollars for the Term Loan into EURIBOR exposure.

Hedges established are detailed in the table below:

	Notional		Margin		Initial exchange date	Final exchange date	Coupons payment date
	USD	EUR	USD	EUR			
	(in € millions)						
2019 bonds	2,400	1,736	4.875%	4.354%	April 30, 2015[3]	May 15, 2019	
2022 bonds	4,000	2,893	6.000%	5.143%	April 30, 2015[3]	May 15, 2022[1]	February 15-
2024 bonds	1,375	994	6.250%	5.383%	April 30, 2015[3]	May 15, 2022[1]	August 15
2020 (« refi ») term loan	1,397	1,010	L+3,750%	E+4,210%	May 21,2014	May 15, 2019	
2020 (« non-refi ») term loan	1,203	870	L+3,750%	E+4,210%	April 30, 2015[3]	May 15, 2019	Jan. 31-April 30-
2022 term loan	550	498	L+3,250%[2]	E+2,730%[2]	August 3, 2015	July 31, 2022[1]	July 31 and
2023 term loan	1,340	1,184	L+4,000%[2]	E+4,130%	Nov. 10, 2015	Jan. 31, 2023[1]	October 31
TOTAL	**12,265**	**9,185**					

1 Banks benefit from a five-year termination clause in their favor:

- in May 2019, for 2022 and 2024 Bonds;
- in July 2020 for the 2022 Loan;
- in November 2020 for the 2023 Loan;

Banks may thus unilaterally terminate the hedging agreement and have Numericable-SFR pay, or pay the balance under the agreement to Numericable-SFR (depending on the market conditions at such time).

2 A minimum (floor) of 0.75% applies to the LIBORr and EURIBOR.

3 Once the completion date of the acquisition of SFR was known, in October 2014 the Group signed a currency swap with Société Générale to bring forward the date of the first swap to late November 2014 in order to have enough euros available to make the cash payment to Vivendi.

The swap agreements described above are guaranteed and benefit from the same security as granted for the bonds and bank loans (see Note *33—Commitments and contractual obligations*).

25.3 Interest rate swaps

In early July 2015, the Group made swaps for the purpose of cancelling the hedging of coupon rates for the USD leg for the 2019-2022 period, as concerns the 2022 and 2024 Bonds, against payment of the balance to Numericable-SFR.

25 Derivative Instruments (Continued)

Fixed interest rates of 6% and 6.25% respectively on these Bonds were moreover changed to variable LIBOR rates, plus a margin of 2.03% and 2.28% respectively (for the 2019-2022 period).

These swaps were not qualified as a hedge, and their negative fair value of €86 million as of December 31, 2015 was recognized directly in income.

25.4 Liquidity risk on foreign currency debts

The following table breaks down, for the bonds and loans denominated in dollars, the future undiscounted cash flows (interest payments and repayment of the nominal amount).

The main assumptions used in this schedule are as follows:

- Amounts in dollars are translated to euros at the closing rate (€1 = $1.0887);
- Calculations of interest are based on the EURIBOR and LIBOR rates at December 31, 2015 (which leads at that date to applying the floor on variable rate loans);
- The maturity dates of bonds and loans are positioned at the contractual maturity date (no early repayment is planned);
- The final trade date for the swaps was scheduled for the closer of (i) the final trade date provided for in the swap agreement and, where applicable, (ii) the date on which the banks have the option to terminate the agreement early.

	2016	2017	2018	2019	2020	2021 and beyond	Total
				(in € millions)			
USD Bonds (A)	**278**	**278**	**278**	**991**	**299**	**5,613**	**7,738**
Flows in USD	407	407	407	2,582	299	5,613	9,716
Swap—flows in USD	(407)	(407)	(407)	(7,372)	—	—	(8,592)
Swap—flows in EUR	278	278	278	5,781	—	—	6,615
USD Term loans (B)	**196**	**194**	**191**	**200**	**1,882**	**1,813**	**4,476**
Flows in USD	230	229	227	226	2,423	1,813	5,149
Swap—flows in USD	(176)	(179)	(180)	(134)	(3,958)	—	(4,627)
Swap—flows in EUR	143	144	144	108	3,416	—	3,954
TOTAL = (A)+(B)	**474**	**472**	**469**	**1,191**	**2,181**	**7,426**	**12,214**

25.5 Credit risk and counterparty risk

Numericable SFR is exposed to bank counterparty risk in its investments and derivatives; Numericable-SFR therefore uses strict criteria when selecting public, financial or industrial institutions in which to invest or contract derivatives, in particular in terms of their financial rating.

26 Provisions

	December 31, 2015					
	Opening restated[1]	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
Employee benefit plans[(a)]	121	12	(0)	—	(8)	125
Restructuring	11	56	(27)	(0)	14	55
Technical site restoration[(b)]	76	4	(2)	—	39	117
Litigation and other[(c)]	756	157	(68)	(72)	(16)	758
PROVISIONS	**965**	**230**	**(97)**	**(72)**	**29**	**1,055**

26 Provisions (Continued)

1 See Note 38—Restated Information.

(a) Employee benefit plans: see Note 28—Post-Employment Benefits.

(b) Site restoration expenses: the Group has an obligation to restore the technical sites of its network at the end of the lease when they are not renewed or are terminated early.

(c) Litigation and other: these are included in provisions mainly when their amounts and types are not disclosed, because disclosing them may harm the Group. Provisions for litigation cover the risks connected with court action against the Group (see Note 34—Litigation). All provisioned disputes are currently awaiting hearing or motions in a court. The unused portion of provisions recognized at the begging of the period reflects disputes that have been settled by the Group paying amounts smaller than those provisioned, or to a downward re-assessment of the risk.

Current provisions	*330*	*107*	*(64)*	*(45)*	*(0)*	*328*
Non-current provisions	*635*	*122*	*(33)*	*(27)*	*29*	*727*

The restated table for fiscal year 2014 is presented below:

	December 31, 2014 restated						
	Opening published	**Change in scope**	**Increase**	**Utilization**	**Reversal and changes of accounting estimates**	**Other**	**Closing restated**
				(in € millions)			
Employee benefit plans	10	105	6	—	—	—	121
Restructuring	—	36	11	(35)	(0)	—	11
Technical site restoration	—	60	3	(2)	—	15	76
Litigation and other	70	343	396	(47)	(4)	(2)	756
PROVISIONS	**80**	**543**	**417**	**(84)**	**(4)**	**12**	**965**
Current provisions	*6*	*340*	*60*	*(72)*	*(4)*	*0*	*330*
Non-current provisions	*74*	*204*	*357*	*(11)*	*(0)*	*12*	*635*

27 Share-based payments

Between 2013 and 2015, the Board of Directors adopted a number of stock option plans in favor of certain corporate officers of Numericable-SFR and employees of the Group.

The exercise of options is subject to conditions of employment and performance (based on revenue and EBITDA—Capex indicators of the Group).

The vesting occurs in three periods:

- 50% at the end of two years;
- 25% at the end of three years;
- 25% at the end of four years.

27 Share-based payments (Continued)

The main assumptions used for the valuation of the various stock option plans are listed in the table below:

Plan / Date	November 2013	January 2014	May 2014	November 2014	April 2015	September 2015
Total fair value on grant date (in thousands of euros)	9,702	1,145	269	12,251	2,653	514
Exercise price of the option (in euros)*	11.37	12.67	17.84	24.78	44.21	38.81
Anticipated volatility (weighted average)	25%	25%	25%	25%	26%	27%
Expiry date (maturity)	November 2021	January 2022	May 2022	November 2022	April 2023	September 2023
Anticipated dividends	4%	4%	4%	4%	4%	4%
Risk-free interest rate (based on government bonds)	0.75%	1%	0.50%	0.25%	0%	0%

* Adjusted following payment of the €5.7 per share dividend in December 2015.

The following table shows the change in the number of subscription options for outstanding shares during the period, along with the number of exercisable options not exercised at period-end (figures expressed in thousands of options).

(Number of options) Plan / Date	November 2013	January 2014	May 2014	November 2014	April 2015	September 2015
Options outstanding as at January 1, 2015	5,227	528	92	2,346	—	—
Granted	—	—	—	—	355	90
Cancelled, lapsed	—	(314)	(46)	(64)	—	—
Exercised	(1,817)	—	(46)	(21)	—	—
Adjustment 12/2015*	638	40	—	422	54	17
OPTIONS OUTSTANDING AS AT DECEMBER 31, 2015	**4,048**	**255**	**—**	**2,684**	**409**	**106**
o/w exercisable as at December 31, 2015	1,194	124	—	202	—	—

* Adjusted for the number of outstanding options following payment of the €5.7 per share dividend in December 2015.

The following table shows the change in the total number of options and the corresponding weighted average prices (WAPs):

Plan / Date	Number	WAP
Options outstanding as at January 1, 2015	8,193	15.4
Granted	445	43.1
Cancelled, lapsed	(424)	17.9
Exercised	(1,884)	13.9
Adjustment 12/2015*	1,171	21.8
OPTIONS OUTSTANDING AS AT DECEMBER 31, 2015	**7,502**	**18.4**

* Adjusted for the number of outstanding options following payment of the €5.7 per share dividend in December 2015.

28 Post-employment benefits

All Group employees benefit from severance packages upon retirement based on the collective bargaining agreement with the company to which they are attached.

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Group and salary, according to the terms of their employment agreement.

28 Post-employment benefits (Continued)

28.1 Assumptions used for defined-benefit plans

	December 31, 2015	December 31, 2014 restated
Discount rate	2%	2%
Expected salary increase rate	2%	3%
Inflation rate	2%	2%

Demographic assumptions are specific to each company.

28.2 Change in commitments

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Benefit obligation—opening balance	**121**	**10**
Service cost	10	1
Interest cost	2	0
Actuarial loss (gain)	(8)	3
Benefit paid	(0)	(0)
Business combinations	—	106
BENEFIT OBLIGATION—CLOSING BALANCE	**125**	**121**

The Group had no hedge assets as of December 31, 2015 or as of December 31, 2014.

28.3 Breakdown of recognized expense in the Consolidated statement of income

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Service cost	10	1
Interest cost	2	0
Benefit paid	(0)	(0)
NET PERIOD EXPENSE OF POST-EMPLOYMENT BENEFITS	**12**	**2**

28.4 Actuarial gains and losses recognized in comprehensive income

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Actuarial losses (gains) from experience	(4)	0
Actuarial losses (gains) from changes of assumptions	(4)	3
ACTUARIAL LOSSES (GAINS) RECOGNIZED IN COMPREHENSIVE INCOME	**(8)**	**3**
ACTUARIAL LOSSES (GAINS) CUMULATED IN COMPREHENSIVE INCOME (OCI)	**(3)**	**5**

28 Post-employment benefits (Continued)

28.5 Sensitivities

The impact of a change in discount rate for the actuarial liability is presented in the table below:

	(in € millions)
Benefit obligation at 1.75%	131
Benefit obligation at 2.00%	**125**
Benefit obligation at 2.25%	120

29 Other non-current liabilities

This item breaks down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Deferred income[(a)]	306	382
GSM and LTE licenses[(b)]	440	112
Numergy capital not paid up[(c)]	—	63
Other	35	25
OTHER NON CURRENT LIABILITIES	**780**	**582**

(a) Prepaid income of more than one year, mainly consisting of unrecognized revenues from network leasing. The current portion of deferred revenue (i.e., revenue to be recognized in the twelve months following the close of the fiscal year) is presented in "Other Current Liabilities" as indicated in Note 30—Trade payables and other current liabilities.

(b) Debt maturing at the latest in 2021.

(c) The debt was reclassified in the short-term, following SFR's acquisition of shares held by other shareholders in January 2016 (see Note 37—Subsequent events).

30 Trade payables and other current liabilities

30.1. Trade payables and other liabilities

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Trade payables and other liabilities	2,811	2,899
Payables from purchase of intangible and tangible assets	793	690
Advances and deposits from customers, credit customers	461	418
Tax liabilities	431	559
Social security liabilities	383	438
Other	0	7
TRADE PAYABLES AND OTHER LIABILITIES	**4,878**	**5,011**

30.2 Other current liabilities

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Prepaid income[(a)]	508	590
Numergy capital not paid up[(b)]	79	16
Other	11	—
OTHER CURRENT LIABILITIES	**597**	**606**

30 Trade payables and other current liabilities (Continued)

(a) See Note 29—Other non-current liabilities.

(b) The long-term debt was reclassified to short-term following SFR's acquisition of shares held by other shareholders in January 2016 (see Note 37—Subsequent events).

31 Financial instruments

31.1 Fair value of financial instruments

The following tables show the net carrying amount per category and the fair value of the Group's financial instruments at December 31 of each year:

	December 31, 2015							
	Note	**Assets/ liabilities measured at fair value through income**	**Assets available for sale**	**Loans and receivables**	**Assets/ liabilities at amortized cost**	**Derivatives qualifying as hedges**	**Total net carrying value**	**Fair value**
	(in € millions)							
Assets								
Trade and other receivables*	20				2,615		2,615	2,615
Derivative instruments classified as assets	18	491				1,424	1,915	1,915
Non-current financial assets	18		9	64	125		198	198
Other non-current assets	18				57		57	57
Current financial assets	21			2			2	2
Cash and cash equivalents	22	355					355	355
Liabilities								
Non-current long term borrowings and financial liabilities	24				16 355		16 355	16 062
Derivative instruments classified as liabilities	24	87					87	87
Other non-current financial liabilities	24				215		215	215
Other non-current liabilities*	29				475		475	475
Short-term borrowings and financial liabilities	24				254		254	254
Other financial liabilities	24				588		588	588
Trade payables and other liabilities	30				4,878		4,878	4,878
Other current liabilities*	30				90		90	90

* Excluding prepaid expenses and income.

31 Financial instruments (Continued)

	December 31, 2014 restated							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortized cost	Derivatives qualifying as hedges	Total net carrying value	Fair value
	(in € millions)							
Assets								
Trade and other receivables*	20				2,572		2,572	2,572
Derivative instruments classified as assets	18					912	912	912
Non-current financial assets	18	1	9	79	3		93	93
Other non-current assets	18				50		50	50
Current financial assets	21			134			134	134
Cash and cash equivalents	22	620					620	620
Liabilities								
Non-current long term borrowings and financial liabilities	24				12,539		12,539	12,601
Other non-current financial liabilities	24				810		810	810
Other non-current liabilities*	29				200		200	200
Short-term borrowings and financial liabilities	24				179		179	184
Other financial liabilities	24				99		99	99
Trade payables and other liabilities	30				5,011		5,011	5,011
Other current liabilities*	30				16		16	16

* Excluding prepaid expenses and income.

The carrying amount of trade and other receivables, of cash and cash equivalents, and of trade payables and other current liabilities is nearly equal to their fair value given the short maturities of these instruments, or otherwise, their recognition at their discounted value.

With the exception of derivatives, loans and other short-term and long-term financial debts, and other current and non-current financial liabilities are measured at their amortized cost, which corresponds to the estimated value of the financial liability when initially recognized, minus repayments of principal, and plus or minus cumulative amortization, measured using the effective interest rate method.

Derivatives are measured at fair value through the income statement, or through other items of comprehensive income, for the effective portion of the change in fair value of derivatives qualifying as cash flow hedges.

Fair value measurement through the balance sheet

Fair value is calculated using market prices. When market prices are not available, an analysis of discounted cash flow is carried out.

In accordance with IFRS 7, a three-level hierarchy is applied when measuring fair value:

- Level 1: prices listed on an active market;
- Level 2: internal model with parameters that are observable using internal valuation techniques. These techniques rely on the usual mathematical calculation methods that include observable market data (futures prices, yield curve, etc.);
- Level 3: an internal model with non-observable parameters.

31 Financial instruments (Continued)

The following table shows the measurement method used for financial assets and liabilities measured at fair value at December 31 of each year:

	2015			
	Fair value	Level 1	Level 2	Level 3
		(in € millions)		
Financial assets measured at fair value				
Derivative instruments classified as assets	1,915		1,915	
Other non-current financial assets	9			9
Other current financial assets				
Cash and cash equivalents	355	355		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities	87		87	

	2014 restated			
	Fair value	Level 1	Level 2	Level 3
		(in € millions)		
Financial assets measured at fair value				
Derivative instruments classified as assets	912		912	
Other non-current financial assets	10	1		9
Other current financial assets				
Cash and cash equivalents	620	620		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities				

31.2 Financial risk management and derivative instruments

The Group's treasury department provides services, coordinates access to national and international financial markets, measures and manages the financial risks connected with the Group's activities. These risks include market risks (mainly exchange rate and interest rate risks), credit risks and liquidity risks. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures.

31.3 Currency risk

The Group's exchange rate risk relates to bond issues and bank borrowings denominated in US dollars.

The Group's borrowings arranged in US dollars are fully hedged by derivative instruments in the form of cross currency swaps. The following table shows the impact of hedging on the initial debt (at the debt issue date), before and after hedging.

Original amounts, expressed in millions		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2019 Bonds	USD	(2,400)	—	2,400	(1,736)	—	(1,736)
2022 Bonds	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	(1,375)	—	1,375	(994)	—	(994)
2020 (« refi ») term loan	USD	(1,394)	—	1,394	(1,008)	—	(1,008)
2020 (« non refi ») term loan	USD	(1,206)	—	1,206	(872)	—	(872)
2022 Loan	USD	(550)	—	550	(498)	—	(498)
2023 Loan	USD	(1,340)	—	1,340	(1,184)	—	(1,184)
TOTAL		**(12,265)**	**—**	**12,265**	**(9,185)**	**—**	**(9,185)**

31 Financial instruments (Continued)

The following table shows the impact of hedging on the residual debt as of December 31, 2015, before and after hedging:

Amounts as at December 31, 2015 expressed in millions		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2019 Bonds	USD	*(2,400)*	—	2,400	(1,736)	—	(1,736)
2022 Bonds	USD	*(4,000)*	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	*(1,375)*	—	1,375	(994)	—	(994)
2020 (“refi”) term loan	USD	*(1,380)*	—	1,394	(1,008)	14	(1,008)
2020 (“non refi”) term loan	USD	*(1,194)*	—	1,206	(872)	12	(872)
2022 Loan	USD	*(550)*	—	550	(498)	—	(498)
2023 Loan	USD	*(1,340)*	—	1,340	(1,184)	—	(1,184)
TOTAL		**(12,239)**	**—**	**12,265**	**(9,185)**	**26**	**(9,185)**

Analysis of sensitivity to exchange rate risk

At December 31, 2015, a sudden 10% change in value of the euro against the US dollar would have, given the assets and liabilities on the balance sheet, an immaterial impact on the Group’s currency translation results given the hedging instruments set up by the Group. For the purposes of this analysis, all other variables, in particular interest rates, are assumed to remain unchanged.

Interest rate risk

The Group is exposed to interest rate risks mainly on bank borrowings on a variable interest rate basis. The Group limits such risks, when it considers appropriate, through interest rate swaps and interest rate caps.

Interest rate sensitivity analysis

The analysis of sensitivity to interest rate fluctuations for instruments at variable rates takes into accounts all variable flows of financial instruments. The analysis assumes that the liabilities and financial instruments on the balance sheet at December 31, 2015 remain unchanged over the year. For the purposes of this analysis, all other variables, in particular exchange rates, are assumed to remain unchanged.

A 50 basis point rise (fall) in the EURIBOR at the period-end date would result in an approximately €10 million increase (decrease) in the cost of debt.

31.4 Liquidity risk management

The Group manages liquidity risk by maintaining adequate levels of cash, cash equivalents and lines of credit, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Cash position including cash equivalents

As of December 31, 2015, Numericable-SFR’s cash position more than covered the repayment schedules of its current financial debt:

	Available amounts (in € millions)
Cash	211
Cash equivalents	144
Available amounts for drawing from lines of credit	675
CASH POSITION	**1,030**

31 Financial instruments (Continued)

Rating of Numericable-SFR

The Group's current rating is as follows:

Rating agency	Rating
Standard & Poor's	B+ (negative outlook)
Moody's	B1 (stable outlook)

31.5 Management of credit risk and counterparty risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that could increase credit risk are mainly trade receivables, cash investments and derivative instruments.

Trade receivables

The Group considers that it has extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries across France.

Cash investments and derivative instruments

Numericable-SFR is exposed to bank counterparty risk in its investments and derivatives, and therefore uses strict criteria when selecting public, financial or industrial institutions in which to invest or contract derivatives, in particular in terms of their financial rating.

32 Related party transactions

Parties related to the Group include:

- All companies included in the consolidation scope, regardless of whether they are fully consolidated or equity associates;
- Altice N.V. and the entities that it consolidates;
- All the members of the Executive Committee of Numericable-SFR.

Transactions between fully consolidated entities within the consolidation scope have been eliminated when preparing the Consolidated Financial Statements. Details of transactions between the Group and other related parties are disclosed below.

32.1 Senior executive compensation

The Group's senior executives include members of Numericable-SFR's Executive Committee.

The following table shows the compensation allocated to individuals who were, at period-end, or had been in previous years, members of the Executive Committee.

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Short-term benefits[(a)]	5	5
Post-employment benefits[(b)]	0	0
Share-based payment[(c)]	8	5
EXECUTIVE COMPENSATION	**13**	**10**

(a) Includes gross salaries, fixed component and variable component, profit-sharing as well as benefits in kind recognized during the year.

32 Related party transactions (Continued)

(b) Corresponds to the cost of services rendered.

(c) Expense recorded in the income statement under stock option plans (including employer's contributions owed under the terms of the plans).

32.2 Associates and joint ventures

Associates and joint ventures, measured through equity, are presented in Note *17—Investments in associates*.

The main transactions with equity associates relate to:

- La Poste Telecom as part of its telephony activities,
- Numergy as part of "cloud computing" services,
- Synerail as part of the GSM-R public-private partnership,
- Foncière Rimbaud (1 to 4) with the Vinci Group as part of building SFR SA's headquarters.

	Associates		Joint ventures	
	2015	2014	2015	2014
	(in € millions)			
Assets	**64**	**68**	**20**	**30**
Non-current assets	—	—	17	30
Current assets	64	68	3	0
Liabilities	**86**	**80**	**—**	**—**
Current liabilities	86	17	—	—
Non-current liabilities	—	63	—	—
Net income (expense)	**69**	**4**	**4**	**0**
Operating income	99	4	3	0
Operating expenses	(31)	(0)	—	—
Net financial income (expense)	1	—	1	—
Off-balance sheet commitments	**48**	**47**	**91**	**95**
Operating	—	—	—	—
Financial	48	47	71	60
Pledges	—	—	21	34

32.3 Shareholders

Transactions with Vivendi and its subsidiaries

Vivendi sold its shares in the Numericable-SFR Group's capital on May 6, 2015. Excluding the agreements presented in Note *4.1—Memorandum of Understanding signed with Vivendi on February 28, 2015*, the transactions with Vivendi and its subsidiaries until the sale date were immaterial.

Transactions with subsidiaries of Altice N.V.

In 2015, the main transactions with Altice N.V. subsidiaries were as follows:

	December 31, 2015	December 31, 2014
	(in € millions)	
Total income	21	15
Total expenses	(47)	(11)

These transactions were conducted as part of the Group's activities with the following companies:

- Altice Luxembourg S.A.: purchase of services;
- Coditel Brabant, Outremer Telecom, Cabovisèo, Hot, Portugal Telecom: telecommunication services;

32 Related party transactions (Continued)

- Auberimmo: reinvoicing of rents;
- MCS, Sport TV: televisual royalties;
- Altice Management Europe: customer services.

33 Commitments and contractual obligations

The significant contractual commitments undertaken or received by the Group are disclosed below.

33.1 Commitments relating to bonds and term loans arranged in May 2014, July and October 2015

In May 2014, the Group issued bonds and set up term loans to refinance its historic debt and fund a portion of the SFR acquisition. In July 2015, in the form of an additional facility under the same legal documentation as the loans taken out in May 2014, the Group set up new term loan for the purpose of refinancing its revolving credit lines. Then, in order to fund a portion of the December 2015 distribution, the Group took out a term loan in October 2015. The latter was also structured as an additional tranche under the existing documentation.

As part of these various loans, established under the same financial documentation, a certain number of Group subsidiaries (Numericable-SFR, SFR, Ypso France, Ypso Holding, Altice B2B France, NC Numericable, Numericable US LLC and Numericable US SAS, Completel and Ypso Finance) pledged certain assets to banks (equity instruments of Group companies, bank accounts intercompany loans, trademarks and goodwill).

Additionally, in the event of a change in control (should a company other than Altice N.V. or an affiliate of Altice N.V. come to hold more than 51% of Numericable-SFR), the Group would have to offer to repay its debt for an amount equal to 101% of the amount outstanding on that debt.

Bond issues also include certain restrictions that limit the Group’s ability to:

- incur or guarantee any additional debt, subject to a consolidated net debt leverage ratio (4.0 for total debt and 3.25 for bonds);
- make investments or other payments that are subject to restrictions (including dividends);
- grant sureties;
- dispose of subsidiaries’ assets and equity instruments;
- conclude certain transactions with its affiliates;
- enter into agreements limiting the ability of its subsidiaries to pay it dividends or repay intercompany loans and advances; and
- carry out mergers or consolidations.

33.2 Commitments assumed by Numericable-SFR towards the French Competition Authority under its concentration operation and the monitoring of these commitments in 2015

On October 30, 2014, the French Competition Authority authorized exclusive control of SFR by the Altice Group, the parent company of Numericable-SFR, subject to compliance with several commitments (Decision No. 14.DCC-160 of October 30, 2014 by the Competition Authority). In compliance with this decision, Numericable-SFR implemented the respective commitments.

On January 22, 2015, the Competition Authority independently began an inquiry to examine the terms under which Numericable-SFR is carrying out its commitment to sell mobile services from Outremer Télécom (Only) to Réunion and Mayotte.

33 Commitments and contractual obligations (Continued)

Furthermore, and following a complaint from Bouygues Telecom, the Competition Authority officially opened an inquiry on October 12, 2015 to examine the terms under which Numericable-SFR performs its commitments relating to the joint investment agreement entered into with Bouygues Telecom to roll out fiber optics in very densely populated areas.

These two inquiries in no way prejudice any future measures that could be taken by the Competition Authority.

33.3 Commitments relating to assets (excluding network sharing)

The amount of the contractual commitments to acquire intangible assets and property, plant and equipment amount to €674 million as of December 31, 2015. The amount includes commitments related to the use of telecommunications systems.

The commitment schedule is as follows:

	Minimum future payments - 2015	Maturity: Less than one year	Maturity: Two to five years	Maturity: More than five years	2014
			(in € millions)		
Commitments relating to Delegated Public Services	180	18	39	123	179
Commitments relating to Less Dense Areas (ZMD)[(a)]	80	12	49	19	72
Other investments	414	400	14	—	383
TOTAL NET INVESTMENT COMMITMENTS	**674**	**430**	**102**	**143**	**634**

(a) Commitments relating to the deployment of FTTH (Fiber To The Home) in less densely populated areas (ZMD).

33.4 Agreement to share part of SFR's mobile network

On January 31, 2014, SFR and Bouygues Telecom signed a strategic agreement to share their mobile networks. They will deploy a new shared-access mobile network in an area covering 57% of the population. The agreement allows the two operators to improve their mobile coverage and to achieve significant savings over time.

The agreement is based on two principles:

- create a special purpose joint venture (Infracos) to manage the shared assets of the radio sites, i.e., the passive infrastructures and geographical sites where the telecom infrastructures and equipment are deployed. SFR and Bouygues Telecom each retain full ownership of their own telecom equipment assets and frequencies;
- set up a RAN-sharing service that 2G, 3G and 4G operators can use in the shared territory. Each operator is responsible for the part of the shared territory in which it designs, deploys, operates and maintains the RAN-sharing service.

The sharing agreement is similar to many mechanisms set up in other European countries. Each operator retains its own independent innovation capacity and total commercial and pricing independence. The first deliveries of cell plans were on April 30, 2014. On that occasion, each operator was informed of its partner's deployment plans, as exchanges of technical information about the sites when developing the sharing agreement had been prohibited by ARCEP. This exchange of information led on October 24, 2014 to the agreement being adjusted, in particular regarding certain engineering choices that had been made at a time when the negotiating parties did not have full access to relevant data about each other's networks. The target network completion date was pushed back by a year, from the end of 2017 to the end of 2018, to take into account previous deployment delays encountered.

33 Commitments and contractual obligations (Continued)

The first roll-outs of the RAN sharing coverage were in September 2015, and 706 sites were rolled out by 2015. SFR estimates that as of late December, this agreement corresponds to approximately €1,796 million in commitments given, and approximately €2,190 million in commitments received, for a net commitment of approximately €394 million, covering the entire long-term agreement.

33.5 Intangible assets and property, plant and equipment relating to SFR telecommunication activities

SFR is the holder of operating authorizations for its networks and the provision of its telecommunications services on the French territory, as presented below:

Band	Technology	Decisions	Start	End
700 MHz	4G (2 × 5 MHz)	ARCEP Dec. n° 15-1569	December 8, 2015	December 8, 2035
800 MHz	4G (2 × 10 MHz)	ARCEP Dec. n° 12-0039	January 17, 2012	January 17, 2032
900 MHz 1800 MHz	2G/3G (2 × 10 MHz) 2G/4G (2 × 23,8 MHz)	ARCEP Dec. n° 06-0140	March 25, 2006	March 25, 2021
2,1 GHz	3G (2 × 14,8+5 MHz) 3G (2 × 5 MHz)	Dec. Issued on July 18, 2001 ARCEP Dec. n° 10-0633	August 21, 2001 June 8, 2010	August 21, 2021 June 8, 2030
2,6 GHz	4G (2 × 15 MHz)	ARCEP Dec. n° 11-1171	October 11, 2011	October 11, 2031

The applicable financial terms are as follows:

- for the GSM license (900 MHz and 1800 MHz): annual payments for 15 years which are broken down each year into two parts: a fixed component amounting to €25 million per year (this discounted amount was capitalized as €278 million in 2006) and a variable component corresponding to 1% of the revenue generated during the year with this 2G technology;
- for the UMTS license (2.1 GHz): the fixed component paid in 2001, i.e., €619 million, was recognized in intangible assets and the variable component of the royalty amounted to 1% of the annual revenue generated by this activity. Additionally, under this license, SFR acquired new frequencies for €300 million in June 2010, for a 20-year period;
- for the LTE licenses (2.6 GHz, 800 MHz, 700 MHz): the fixed components paid in October 2011 (€150 million) and January 2012 (€1,065 million) were recognized in intangible assets on the license allocation dates published in the Official Journal in October 2011 and January 2012. SFR acquired new frequencies in December 2015, for €466 million, payable in four installments. The variable portion of the royalty is 1% of the annual revenue generated by this activity. The variable components of these license fees, which cannot be reliably measured in advance, are not recorded on the balance sheet but are recognized under expenses for the period in which they are incurred.

Furthermore, SFR is paying a contribution to the spectrum development fund for frequency bands which were thus developed, as decided by the French Prime Minister (700 MHz, 800 MHz, 2.1 GHz and 2.6 GHz,) as well as a tax to the National Frequencies Agency intended to cover the complete costs incurred by this establishment for the collection and treatment of claims of users of audiovisual communications services relating to interference caused by the start-up of radio-electric stations (700 MHz and 800 MHz).

33.6 Coverage commitments relating to SFR telecommunication licenses

On November 30, 2009, the Regulatory Authority on Electronic Communications and Postal Services (ARCEP) demanded that SFR comply with the 99.3% coverage rate of the UMTS network in the metropolitan population as of December 31, 2013. By Decision No. 2014-0624 dated May 27, 2014, ARCEP opened an administrative inquiry concerning SFR in order to ensure that the UMTS coverage complied with its commitments. The result of this investigation is as yet unknown.

33 Commitments and contractual obligations (Continued)

As part of the allocation of the first block of LTE frequencies in October 2011 (2.6 GHz), SFR undertook to provide coverage for 25% of France's metropolitan population by October 11, 2015, 60% by October 11, 2019, and 75% by October 11, 2023.

As part of the allocation of the second block of LTE frequencies in January 2012 (800 MHz), SFR undertook to meet the following obligations:

(i) SFR must provide the following very-high-speed mobile services:

– 98% of France's metropolitan population by January 2024 and 99.6% by January 2027;

– coverage in the primary deployment area (approximately 18% of the metropolitan population and 63% geographically): SFR must cover 40% of the population in this primary deployment area by January 2017 and 90% by January 2022 (this obligation is to comply using 800 MHz frequencies);

– coverage at a departmental level: SFR must cover 90% of the population of each department by January 2024 and 95% by January 2027.

(ii) SFR and Bouygues Telecom have a joint obligation to pool networks or share frequencies in the primary deployment area.

(iii) SFR has an obligation to allow roaming for Free Mobile in the primary deployment area once Free Mobile covers 25% of France's population with its own 2.6 GHz network and if it has not signed a national roaming agreement with another operator.

(iv) SFR must, jointly with the other holders of 800 MHz band licenses, cover the city centers identified by the public authorities in the "white zones" program (more than 98% of the population) within no more than 15 years.

As part of the allocation of the third block of LTE frequencies in December 2015 (700 MHz,) SFR must comply with the following deployment obligation in very-high-speed mobile networks:

- coverage of the primary deployment area: SFR must cover 50% of the population in this area by January 2022, 92% by January 2027 and 97.7% by December 2030 (this obligation is to comply using 700 MHz frequencies);
- coverage obligation on daily trains.

33.7 Commitments relating to operating leases

The minimum future rents for operating leases are shown in the following table:

	Minimum future payments - 2015	Maturity			2014
		Less than one year	Two to five years	More than five years	
	(in € millions)				
Land	—	—	—	—	—
Buildings	1,855	284	868	703	1,781
o/w administrative premises	*464*	*53*	*194*	*216*	*587*
o/w technical premises	*1,390*	*230*	*673*	*486*	*1,193*
o/w other	*2*	*0*	*1*	*0*	*2*
Other	137	42	62	33	150
Leases	**1,991**	**326**	**930**	**736**	**1,931**
Land	—	—	—	—	—
Buildings	(316)	(53)	(137)	(125)	(277)
o/w administrative premises	—	—	—	—	—
o/w technical premises	*(316)*	*(53)*	*(137)*	*(125)*	*(277)*
o/w other	—	—	—	—	—
Sublets	**(316)**	**(53)**	**(137)**	**(125)**	**(277)**
NET	**1,676**	**272**	**793**	**611**	**1,654**

33 Commitments and contractual obligations (Continued)

The total future technical rents include rights of way and rents related to the right to use fiber optics.

33.8 Commitment relating to long-term contracts

Commitments relating to long-term contracts involve mainly telecommunication network maintenance contracts.

	Minimum future payments - 2015	Maturity			2014
		Less than one year	Two to five years	More than five years	
			(in € millions)		
Commitments given	149	76	57	16	223
Commitments received	(114)	(17)	(49)	(48)	(142)
NET	**35**	**59**	**8**	**(32)**	**81**

33.9. Other commitments

	2015	Maturity			2014
		Less than one year	Two to five years	More than five years	
			(in € millions)		
Bank security guarantee GSM-R[(a)]	60	33	—	27	52
Bank guarantees GSM-R[(a)]	47	35	11	1	51
Other bank security deposits and guarantees[(b)]	45	7	19	20	81
Commitments to purchase securities[(c)]	16	—	5	10	16
Pledges[(d)]	21	—	1	21	39
COMMITMENTS GIVEN	**190**	**75**	**36**	**79**	**239**
Other guarantees and bank security deposits	(1)	—	—	(1)	(1)
COMMITMENTS RECEIVED	**(1)**	**—**	**—**	**(1)**	**(1)**

(a) Public-Private Partnerships (PPP) between the SFR, Vinci, AXA and TDF groups and Réseau Ferré de France (R.F.F.).

(b) This amount includes mainly €16 million in guarantees given as part of the tax audits underway at NC Numericable.

(c) The Group has made unilateral promises to buy out minority interests of a financial partner in certain entities. Such promises can be made only in the event that the Group's entities do not meet the contractual commitments made when signing the related shareholders' agreements .

(d) This amount does not include the pledges granted for Senior debt requirements.

34 Litigation

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of business.

A provision is recorded by the Group when there is sufficient probability that such disputes will lead to costs that the Group will bear and when the amount of these costs can be reasonably estimated. Certain Group companies are involved in some disputes related to the ordinary activities of the Group. Only the most significant litigation and proceedings in which the Group is involved are described below.

34 Litigation (Continued)

The Group is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware that are pending or threatened) other than those described below in this section that may have or have had in the last twelve months significant effects on the financial position or profitability of the Group.

34.1 Tax disputes

34.1.1 NC Numericable

The French tax authorities have conducted audits of various Group companies since 2005 with respect to the VAT rates applicable to our multi-play offerings. Under the French General Tax Code, television services are subject to a reduced VAT rate of 5.5%, which was increased to 7% as of January 1, 2012 and to 10% from January 1, 2014, while Internet and telephony services are subject to the normal VAT rate of 19.6%, increased to 20% from January 1, 2014. When marketing multi-play offerings, the Group applies a price reduction on the price the Group would charge for these services on a stand-alone basis. This discount is primarily applied to the portion of its multi-play offers corresponding to its Internet and telephony services; the television service is the principal offer of the audited companies. As a result, the VAT charged to the Group's multi-play subscribers is lower than if the discount applied to the television portion of its packages or if it were prorated on all services.

The French tax authorities assert that these discounts should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed-line and/or mobile telephony) included in the multi-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Group has also received proposed adjustments for fiscal years 2011 and 2012 for NC Numericable, Numericable and Est Vidéocommunication primarily affecting the application of the VAT on the multi-play offers, despite the change in rules on January 1, 2011 that supports the Group's practice in this area.

The Group is disputing all of the proposed reassessments planned and has initiated appeals and dispute proceedings, which are at different stages, depending on the fiscal year in question for each of the fiscal years subject to reassessments.

The proposed assessments have been provisioned in the financial statements as of December 31, 2015 in the amount of €40.5 million.

34.1.2 SFR

In a proposed adjustment received on December 23, 2014, the tax authorities have contested the merger of Vivendi Telecom International (VTI) and SFR dated December 12, 2011 and therefore intend to challenge SFR's inclusion in the Vivendi tax consolidation group for fiscal year 2011. The tax authorities thus intended to tax SFR separately from the Vivendi tax consolidation group, leading to a corporate tax of €711 million (principal) plus late interest and surcharges amounting to €663 million, for a total adjustment of €1,374 million. It should be noted that, under the agreement signed on February 27, 2015 by Vivendi, Altice France and Numericable-SFR, Vivendi agreed to repay to SFR, if applicable, any taxes and levies charged to SFR for fiscal year 2011, which SFR had already paid to Vivendi at the time, subject to a maximum €711 million, if the 2011 merger of SFR and VTI is ruled invalid for tax purposes.

SFR believes it has strong legal grounds to defend the merger.

At the same time, an accounting audit of the years 2012 and 2013 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The company, which is disputing the assessments proposed, recognized a provision of €59.5 million at December 31, 2015.

34 Litigation (Continued)

34.2 Civil and commercial disputes

34.2.1 Wholesale disputes

Complaint by Bouygues Telecom against SFR and Orange regarding the wholesale market in mobile call termination and the retail market in mobile telephony

The French Competition Council received a complaint from Bouygues Telecom against SFR and Orange claiming that the latter were engaged in anticompetitive practices in the mobile call termination and mobile telephony markets. On May 15, 2009, the French Competition Authority decided to postpone its decision and remanded the case for further investigation. On August 18, 2011 SFR received a complaint claiming unfair pricing. On December 13, 2012 the Competition Authority fined SFR €66 million for abuse of dominant position, which SFR has paid.

SFR appealed the decision. The case was heard by the Paris Court of Appeals on February 20, 2014. The Paris Court of Appeals rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to the Court of Cassation by SFR on July 9, 2014; on October 6, 2015, the Court of Cassation rejected SFR's appeal) and asked the European Commission to provide an Amicus Curiae to shed light on the economic and legal issues raised by the case. The Court of Appeals postponed ruling on the merits of the case pending the Commission's opinion. The Commission rendered its opinion on December 1, 2014, which went against SFR. The hearing on the merits of the case was held on December 10, 2015. The Court of Appeals will hand down its ruling on March 17, 2016. As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, OMEA and EI Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. In accordance with the transaction between SFR and Bouygues Telecom in June 2014, the closed hearing of the conciliation proceedings was held on December 5, 2014. The motion for discontinuance granted on September 11, 2014 ended the legal action between the two companies. With respect to the claim by OMEA (€67.9 million) and EI Telecom (€28.6 million), SFR applied for stay on a ruling pending the decision of the Paris Court of Appeals, and obtained it.

Claim by Mundio Mobile against SFR

Mundio Mobile, an MVNO on the SFR network, brought a claim in the form of a filing against SFR on November 5, 2014 in the Paris Commercial Court. Mundio Mobile is claiming €63.6 million in damages from SFR. Mundio Mobile accuses SFR of unfair practices under the MVNO contract (by launching the offer of its former subsidiary Buzz Mobile). Mundio is also challenging certain aspects of the contract including its pricing terms.

Complaint against Orange filed with the French Competition Authority (NRA ZO)

On December 9, 2009 SFR and SFR Collectivités filed a complaint with the French Competition Authority against Orange for unfair practices. SFR withdrew its action on October 1, 2015.

As part of this complaint, on June 18, 2013 SFR sued Orange in the Paris Commercial Court (NRA ZO) for damages. SFR is seeking €50 million in damages subject to adjustment from Orange.

SFR's lawsuit and complaint against Orange in the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR sued Orange demanding that it cancel the price for Orange call origination for the period 2006-2007 and replace it with a lower rate of 2% for 2006 and 15% for 2007. On June 25, 2013 SFR had all its requests dismissed. On July 25, 2013, SFR appealed the Commercial Court ruling. On December 4, 2015, the Court of Appeals dismissed SFR's claim.

34 Litigation (Continued)

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR and SFR

Differential on-net/off-net pricing in the mobile telephony market in Mayotte and Reunion

Orange Réunion, Orange Mayotte and Outremer Telecom filed a complaint with the French Competition Authority in June 2009 alleging unfair differential on-net/off-net pricing by SRR in the mobile telephony market on Mayotte and Réunion seeking conservatory measures from the Competition Authority.

On September 15, 2009 the French Competition Authority announced provisional measures against SRR, pending its decision on the merits. SRR had to discontinue any price spread exceeding its actual "off-net/on-net" costs in the network concerned.

As the French Competition Authority found that SRR had not fully complied with its injunction, it fined SRR €2 million on January 24, 2012.

In the proceedings on the merits, with regard to the "Consumers" component of the case, SRR requested and obtained a "no contest" on the complaints on July 31, 2013. On June 13, 2014, the Authority rendered its decision for the "Consumers" component of the case, fining SFR and its subsidiary SRR €45.9 million

Non-residential mobile telephony market in Mayotte and Réunion

The SRR premises were raided and records seized on September 12, 2013. The operation focused on the non-residential mobile telephony market in Réunion and Mayotte and was also in response to the complaint filed by Outremer Telecom.

SRR appealed to the Senior Justice of the Saint-Denis Court of Appeals of Réunion against the decision authorizing the operation and a second appeal against its procedure. On June 13, 2014, the Senior Justice of the Saint-Denis Court of Appeals of Réunion handed down an order rescinding all the seizures at SRR in September 2013. The Competition Authority appealed this order.

With respect to the proceedings on the merits, the Competition Authority on February 12, 2015 sent a notice of complaints to SFR and SRR, which decided not to dispute the complaints. A report of no contest was signed on April 1, 2015. A session in front of the Authority board was held on September 15, 2015. On November 30, 2015, the French Competition Authority fined SRR (and SFR as the parent company) €10.8 million.

Compensation disputes

Following the Competition Authority's decision of September 15, 2009 (provisional measures) and pending the Authority's decision on the merits, on June 17, 2013 Outremer Telecom filed suit against SRR and SFR in the Commercial Court seeking remedy for the loss it believes it suffered as a result of SRR's practices.

Outremer Telecom is claiming €23.5 million in damages subject to adjustment for unfair practices by SRR in the consumer market in mobile telephony on Réunion and Mayotte, and €1 million as damages in full for unfair practices by SRR in the business market in mobile telephony on Réunion and Mayotte.

In a ruling on November 13, 2013 the Court awarded SRR and SFR a postponement until the Competition Authority makes a decision, or until the Senior Justice of the Court of Appeals orders the postponement of the execution of the Competition Authority's decision. The proceedings have not resumed to date even though the decision of the Senior Justice of the Court of Appeals was handed down on July 13, 2014.

On October 8, 2014 Orange Reunion sued SRR and SFR jointly and severally to pay €135.3 million for the loss suffered because of the practices sanctioned by the Competition Authority. To date, the merits of the case have not yet been heard and various procedural incidents have been raised, on which a judgment is awaited.

34 Litigation (Continued)

Complaint against Orange to the Competition Authority regarding the market in mobile telephony services for businesses

On August 9, 2010, SFR filed a complaint against Orange with the Competition Authority for anticompetitive practices in the business mobile telephony services market.

On March 5, 2015 the Competition Authority sent a notice of complaints to Orange. Four complaints were filed against Orange. On December 17, 2015, the Authority ordered Orange to pay a fine of €350 million.

At the same time, SFR filed suit against Orange in the Commercial Court and is seeking €512 million in damages subject to adjustment as remedy for the loss suffered as a result of the practices in question in the proceedings with the Competition Authority.

Orange suit against SFR in the Paris Commercial Court (overflows case)

Orange filed a claim on August 10, 2011 with the Paris Commercial Court asking the Court to order SFR to immediately cease its unfair "overflow" practices and to order SFR to pay €309.5 million in contractual penalties. It accused SFR of deliberately organizing overflows onto the Orange network for the purpose of economically optimizing its own network (under designing the Primary Digital Block (PBN)). In a ruling of December 10, 2013 the Court ordered SFR to pay Orange €22.1 million. SFR and Orange both appealed the ruling. On January 16, 2015 the Paris Court of Appeals upheld the Commercial Court's ruling and SFR paid the €22.1 million. On August 11, 2014, SFR also petitioned the District Court enforcement judge, who rendered his decision on May 18, 2015 by ordering SFR to pay €600,000 (assessment of penalty for 118 abusive overflows).

SFR v. Orange: abuse of dominant position in the second homes market

On April 24, 2012 SFR filed a complaint against Orange with the Paris Commercial Court for practices abusing its dominant position in the retail market for mobile telephony services for non-residential customers.

On February 12, 2014, the Paris Commercial Court ordered Orange to pay to SFR €51 million for abuse of dominant position in the second homes market.

On April 2, 2014 Orange filed an emergency motion against SFR with the Senior Justice of the Paris Court of Appeals to suspend the provisional enforcement. This motion was denied by the Senior Justice on July 4, 2014.

On April 2, 2014, Orange appealed the decision of the Commercial Court on the merits. On October 8, 2014 the Paris Court of Appeals overturned the Paris Commercial Court's ruling of February 12, 2014 and dismissed SFR's requests. The Court of Appeals ruled that it had not been proven that a pertinent market limited to second homes actually exists. In the absence of such a market, there was no exclusion claim to answer, due to the small number of homes concerned. On October 13, 2014 SFR received notification of the judgment of the Paris Court of Appeals of October 8, 2014 and repaid the €51 million to Orange in November 2014. On November 19, 2014 SFR appealed the ruling.

SFR v. Orange (non-unbundled areas)

On November 26, 2012, SFR filed a complaint with the French Competition Authority for abuse of dominant position in the retail market for high-speed Internet access in non-unbundled areas. On October 1, 2015 SFR withdrew its petition.

Orange v. SFR and Bouygues Telecom (Sharing Agreement)

On April 29, 2014, Orange applied to the French Competition Authority to disallow the agreement signed on January 31, 2014 by SFR and Bouygues Telecom to share their mobile access networks, based on Article L. 420-1 of the French Commercial Code and Article 101 of the Treaty on the

34 Litigation (Continued)

Functioning of the European Union (TFEU). In addition to this referral, Orange asked the Competition Authority for a certain number of injunctions against the companies involved.

In a decision dated September 25, 2014, the Competition Authority dismissed all of Orange's requested injunctions to stop SFR and Bouygues Telecom from implementing the agreement that they had signed to share part of their mobile networks.

The Competition Authority ruled that "*no serious and immediate harm to the general economy, the sector, consumers or the plaintiff, can be described based on the section of the agreement relating to network sharing or from the 4G roaming capability associated with it*."

Orange appealed the Competition Authority's decision to dismiss its provisional measures requests.

The Court of Appeals upheld this decision on January 29, 2015. Orange is now appealing the matter to the French Supreme Court.

Claim by Bouygues Telecom against Numericable, Completel and NC Numericable

In late October 2013, Numericable, Completel and NC Numericable received a claim from Bouygues Telecom regarding the "white label" contract signed on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play very-high-speed offers. In its letter, Bouygues Telecom claimed damages totaling €53 million because of this contract. Bouygues Telecom alleges a loss that, according to Bouygues Telecom, justifies damages including (i) €17.3 million for alleged pre-contractual fraud (providing erroneous information prior to signing the contract), (ii) €33.3 million for alleged non-performance by the Group companies of their contractual obligations and (iii) €2.4 million for alleged damage to Bouygues Telecom's image. The Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed.

On July 24, 2015, Bouygues Telecom filed suit against NC Numericable and Completel concerning the performance of the contract to supply very-high-speed links. Bouygues Telecom is accusing NC Numericable and Completel of abusive practices and contractual faults, and is seeking nullification of certain provisions of the contract and indemnification of €79 million. The case was postponed until March 15, 2016 for designation of the reporting judge.

34.2.2 Consumer Disputes

CLCV's summons and complaint against SFR

On January 7, 2013, the consumer association CLCV filed a complaint against SFR in the Paris Commercial Court. CLCV claimed that some of the clauses in SFR's general terms of subscription, and those of some other telephone operators, were unfair. It also asked for compensation for the collective harm inflicted. The Paris District Court ruled that the clauses were unfair.

Free v. SFR: unfair practices for non-compliance with consumer credit provisions in a subsidized offer

On May 21, 2012, Free filed a complaint against SFR in the Paris Commercial Court. Free challenged the subsidy used in SFR's "Carrés" offers sold over the web between June 2011 and December 2012, claiming that it constituted a form of consumer credit and, as such, SFR was guilty of unfair practices by not complying with the consumer credit provisions, in particular in terms of prior information to customers. Free asked the Paris Commercial Court to require SFR to inform its customers and to order it to pay €29 million in damages. On January 15, 2013, the Commercial Court dismissed all of Free's requests and granted SFR €0.3 million in damages. On January 31, 2013, Free appealed the decision, which is expected in March 2016.

34 Litigation (Continued)

SFR v. Iliad, Free and Free mobile: unfair competition by disparagement

In June 2014, SFR filed a complaint against Iliad, Free and Free Mobile in the Paris Commercial Court for unfair competition claiming that when Free Mobile was launched and afterwards, Iliad, Free and Free Mobile were guilty of disparaging SFR services.

Disputes regarding the transfer of customer call centers from Toulouse, Lyon and Poitiers

Following the transfer of customer call centers from Toulouse and Lyon to the company Infomobile and the Poitiers call centers to a subsidiary of the Bertelsmann Group, the former employees at those sites filed legal actions at Labor Tribunals in each city to penalize what they claim were unfair employment contracts constituting fraud under Article L. 1224-1 of the French Labor Code and also contravening the legal provisions regarding dismissal for economic reasons. The rulings in 2013 were mixed as the Toulouse Court of Appeals penalized SFR and Téléperformance in half of the cases while the Lyon and Poitiers courts ruled in favor of SFR. The cases are now at different stages of proceedings: Labor Tribunal, Court of Appeals and Court of Cassation. On June 18, 2014, the Court of Cassation upheld the decision of the Toulouse Court of Appeals (which went against SFR) and dismissed the appeal against the decision of the Poitiers Court of Appeals.

Litigation over distribution in the independent network (Consumer market and SFR Business Team)

SFR, like companies operating an indirect distribution model, faces complaints from a certain number of its distributors and almost routinely from former distributors. Such recurring complaints revolve around claims of sudden breach of contractual relations, abuse of economic dependency and/or demands for requalification as a sales agent as well as, more recently, demands for requalification as a contractual branch manager and requalification as SFR contracted point of sale staff. SFR, after receiving four adverse judgments by the Court of Cassation regarding the status of branch manager, was recently successful in various Courts of Appeals. Regarding the requalification of employment contracts and sales contracts in these disputes, despite rare exceptions, SFR received favorable judgments.

Free v. SFR

In July 2015, Free filed suit against SFR in order to stop it from using the word “Fiber,” claiming that the solution marketed by SFR is not a fiber to the home (FTTH) solution; Free considers SFR’s communication to be deceptive about substantial qualities and, on that basis, is asking the court to find there is parasitism and unfair competition.

Familles Rurales v. SFR

In May 2015, Familles Rurales filed suit against SFR in the Paris District Court in the context of a class action seeking remedy for the loss allegedly suffered by consumers, claiming deceptive sales practices used by SFR in its communications about 4G

34.2.3 Other disputes

In-depth inquiry of the European Commission into the assignment of cable infrastructures by certain local authorities

On July 17, 2013, the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was consistent with European Union government aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives the latter an economic advantage not enjoyed by its competitors, and that it therefore constitutes

34 Litigation (Continued)

government aid within the meaning of the rules of the European Union and that the free-of-charge transfer of the cable networks and ducts by 33 French municipalities to Numericable, they have argued, confers a benefit of this type and, as such, is government aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union. The Group firmly denies the existence of any government aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (approximately 200,000), the majority of which have not been migrated to EuroDocsis 3.0 and only allow access to a limited number of the Group's television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of this process both in terms of comments from third parties as well as those from the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any government aid.

Dispute with Orange concerning certain IRUs

The Group signed four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the Group's acquisition of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs. Each of these IRUs covers a different geographic area and was signed for a term of 20 years.

Following ARCEP's Decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators allowing them access to the civil engineering infrastructures of the local wire-based network, pursuant to which the operators can roll out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Group enjoys under the Orange IRUs.

As a result, in December 2011, Numericable and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange general technical and commercial offer.

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of €2.7 billion for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on Numericable by Orange under the terms of its general technical and commercial offer, published on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeals and claimed the same amount of damages as it had before the Paris Commercial Court. Orange, in turn, claims that this proceeding materially impaired its brand and image, and is seeking an order to make Numericable pay damages of €50 million. In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed Numericable's appeal, which was referred to the Court of Cassation on August 14, 2014. On February 2, 2015, the Court of Cassation set aside the ruling of the Paris Court of Appeals except in that it recognized NC Numericable's interest in acting and referred the case back to the Paris Court of Appeals.

Action by Colt, Free and Orange in the General Court of the European Union concerning the DSP 92 project

Colt, Free and Orange, in three separate motions filed against the European Commission before the General Court of the European Union seeking to annul the European Commission's final decision of September 30, 2009 (Decision C (2009) 7426), which held that the compensation of €59 million granted for the establishment and operation of a high-speed electronic communications network in the department of Hauts-de-Seine does not constitute government aid within the meaning of the rules of the European Union. The Group is not party to this proceeding. Its subsidiary Sequalum is acting as

34 Litigation (Continued)

the civil party, as well as the French government and the department of Hauts-de-Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

Litigation between Sequalum and CG 92 regarding DSP 92

A disagreement arose between the Hauts-de-Seine General Council ("CG92") and Sequalum regarding the terms of performance of a utilities public service concession contract ("THD Seine") signed on March 13, 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council; the purpose of this delegation was to create a very-high-speed fiber optic network in the Hauts-de-Seine region. The Hauts-de-Seine General Council meeting of October 17, 2014 decided to terminate the public service delegation agreement signed with Sequalum "for misconduct by the delegatee for whom it is solely responsible." The Hauts-de-Seine General Council demanded the payment of penalties totaling approximately €45 million for delays, advanced by the sole delegator and disputed by Sequalum, in the deployment of fiber optics and connections to buildings.

The demand for payment was contested in a motion filed with the Administrative Court of Cergy Pontoise on September 3, 2014. Its enforcement and the payment of the sums requested have been suspended pending a ruling on the merits.

On May 7, 2015, the General Council sent a second demand for an order for payment in the amount of €51.6 million, orders disputed by Sequalum on July 11, 2015.

Sequalum claims that the termination was unlawful and is continuing to perform the contract, subject to any demands that the delegator may impose. Should the competent courts confirm this interpretation, Sequalum may have to repay the public subsidies received for the DSP 92 project, normally the outstanding component of the subsidies (the company received €25 million in subsidies from the General Council). In turn, the department of Hauts-de-Seine will receive the returnable assets of the DSP on July 1, 2015. Furthermore, the General Council will have to pay compensation to Sequalum, which essentially corresponds to the net value of the assets.

On October 16, 2014, Sequalum filed a motion in the Administrative Court of Cergy Pontoise requesting the termination of the public service concession because of *force majeure* residing in the irreversible disruption of the structure of the contract.

At December 31, 2015, the assets were removed from Sequalum's accounts in the amount of €116 million. Income receivable in the amount of €139 million related to the expected indemnification was also recognized, an amount fully provisioned given the situation.

Numericable-SFR states that it also has its own fiber optics in the department of Hauts-de-Seine to service its customers. Furthermore, the revenues generated by DSP 92 accounts for a relatively immaterial percentage of Group revenues.

Operations, inspections and seizures

By Order of March 25, 2015, the Nanterre District Court authorized the rapporteur-general of the Competition Authority to conduct inspections and seizures in order to find proof of actions prohibited by Article L 430-8-II of the Commercial Code and any evidence of such actions before the authorization of the concentration of Numericable-SFR, Omea Telecom and SFR. On April 9, 2015, Numericable-SFR appealed the authorization of the District Court of Nanterre and filed an appeal against the inspection and seizure operations with the Senior Justice of the Court of Appeals of Versailles. The hearing date is scheduled for May 26, 2016. It is understood that the opening of such an inquiry by the Competition Authority does not in any way prejudice the results that may be issued by the Authority.

35 List of consolidated entities

Entity	Country Registered office	Group interest 2015	Group interest 2014	Method(1) 2015	Method(1) 2014
Numericable SFR	**France**	**100%**	**100%**	**Parent company**	
SFR SA	France	100%	100%	FC	FC
NC Numericable SAS	France	100%	100%	FC	FC
Altice B2B France SAS	France	100%	100%	FC	FC
Ariège Telecom SAS	France	100%	100%	FC	FC
B3G International BV	Pays-Bas	100%	100%	FC	FC
Cap Connexion SAS	France	100%	100%	FC	FC
CID SA	France	100%	100%	FC	FC
Cinq sur Cinq SA	France	100%	100%	FC	FC
Completel SAS	France	100%	100%	FC	FC
Debitex Telecom SAS	France	100%	100%	FC	FC
Eur@seine SAS	France	100%	100%	FC	FC
Eure et Loir THD SAS	France	100%	100%	FC	FC
FOD SNC	France	100%	100%	FC	FC
Foncière Velizy SCI	France	100%	100%	FC	FC
Futur Telecom SAS	France	100%	100%	FC	FC
Gravelines Network SAS	France	100%	100%	FC	FC
Haut-Rhin Telecom SAS	France	100%	100%	FC	FC
LD Communications BV	Pays Bas	100%	100%	FC	FC
LD Communications Italie Srl	Italie	100%	100%	FC	FC
LD Communications Suisse SA	Suisse	100%	100%	FC	FC
Loiret THD SAS	France	100%	100%	FC	FC
LTBR SA	France	100%	100%	FC	FC
LTI Telecom SAS	France	100%	100%	FC	FC
MACS THD SAS	France	100%	100%	FC	FC
Numericable US LLC	Etats-Unis	100%	100%	FC	FC
Numericable US SAS	France	100%	100%	FC	FC
Oise Numérique SAS	France	100%	100%	FC	FC
Omea Holding SAS	France	100%	100%	FC	FC
Omea Telecom SAS	France	100%	100%	FC	FC
Omer Telecom LTD	Royaume-Uni	100%	100%	FC	FC
Opalys Telecom SAS	France	100%	100%	FC	FC
Pays Voironnais Network Part. SAS	France	100%	100%	FC	FC
Pays Voironnais Network SAS	France	100%	100%	FC	FC
Rennes Métropole Telecom SAS	France	100%	100%	FC	FC
Rimbaud Gestion B SCI	France	100%	100%	FC	FC
Sequalum Participation SAS	France	100%	100%	FC	FC
Sequalum SAS	France	100%	100%	FC	FC
SFCM SA	France	100%	100%	FC	FC
SFD SA	France	100%	100%	FC	FC
SFR Collectivités SA	France	100%	100%	FC	FC
SFR Développement SAS	France	100%	100%	FC	FC
SFR Participation	France	100%	100%	FC	FC
SFR Service Client SA	France	100%	100%	FC	FC
SHD SA	France	100%	100%	FC	FC
SID SCS	France	100%	100%	FC	FC
SIG 50 SA	France	100%	100%	FC	FC
SRR SCS	France	100%	100%	FC	FC
SFR Business Solutions SAS (ex Telindus France)	France	100%	100%	FC	FC

35 List of consolidated entities (Continued)

Entity	Country Registered office	Group interest		Method(1)	
		2015	2014	2015	2014
Telindus Morocco SA	Maroc	100%	100%	FC	FC
TME France SA	France	100%	100%	FC	FC
Valofibre SAS	France	100%	100%	FC	FC
Ypso Finance S.à.r.l	Luxembourg	100%	100%	FC	FC
Ypso France SAS	France	100%	100%	FC	FC
Ypso Holding S.à.r.l	Luxembourg	100%	100%	FC	FC
Alsace Connexia SAS	France	70%	70%	FC	FC
Iris 64 SAS	France	70%	70%	FC	FC
Manche Telecom SAS	France	70%	70%	FC	FC
Medi@lys SAS	France	70%	70%	FC	FC
Teloise SAS	France	70%	70%	FC	FC
Inolia SA	France	60%	60%	FC	FC
Synerail Exploitation SAS	France	60%	60%	FC	FC
Moselle Telecom Part. SAS	France	56%	56%	FC	FC
Comstell SAS	France	50%	50%	FC	FC
Dokeo TV SAS	France	50%	50%	EM	EM
Foncière Rimbaud 1 SAS	France	50%	50%	EM	E
Foncière Rimbaud 2 SAS	France	50%	50%	EM	EM
Foncière Rimbaud 3 SAS	France	50%	50%	EM	EM
Foncière Rimbaud 4 SAS	France	50%	50%	EM	EM
Infracos SAS	France	50%	50%	JV	JV
La Poste Telecom SAS	France	49%	49%	EM	EM
Numergy SAS	France	46,70%	46,70%	EM	EM
Synerail Construction SAS	France	40%	40%	EM	EM
VOD Factory SAS	France	40%	40%	EM	EM
Moselle Telecom SAS	France	39,20%	39,20%	FC	FC
Fischer Telecom SAS	France	34%	34%	EM	EM
Synerail SAS	France	30%	30%	EM	EM
Buyster SA	France	25,20%	25,20%	EM	EM
Irisé SAS	France	25%	25%	FC	FC
Ocealis SAS	France	25%	25%	EM	EM
AF 83 SAS	France	24,60%	24,60%	EM	EM
Sud Partner SARL	France	24%	24%	EM	EM
Sofialys SAS	France	23,80%	23,80%	EM	EM
Idenum SAS	France	21%	21%	EM	EM
2SIP SAS	France	100%	100%	FC	FC
2SID SAS(2)	France	—	100%	—	FC
Alsace Connexia Participation SAS(2)	France	—	100%	—	FC
Coditel Debt S.à.r.l(2)	Luxembourg	—	100%	—	FC
Groupe Telindus France SA(2)	France	—	100%	—	FC
Invescom SA(2)	France	—	100%	—	FC
Numericable Finance & Co. SCA(3)	Luxembourg	—	100%	—	FC
Numericable Finance S.à.r.l(3)	Luxembourg	—	100%	—	FC
Stichting Ypso 1(3)	Pays-Bas	—	100%	—	FC
Stichting Ypso 2(3)	Pays-Bas	—	100%	—	FC
Webwag SAS(3)	France	—	27%	—	EM

(1) FC = Full Consolidation; EM = Equity Method; JV = Interest in Joint Venture
(2) Companies absorbed in 2015
(3) Companies liquidated in 2015

36 Entity consolidating the financial statements

The consolidated financial statements of Numericable-SFR are included in the consolidated financial statements of Altice N.V., a company listed for trading in the Netherlands.

37 Subsequent events

Change in governance

On January 7, 2016, the Board of Directors recorded the resignation of Eric Denoyer as Chief Executive Officer of Numericable-SFR. He joins the Company's Board of Directors and Nominations and Compensation Committee. On March 11, 2016, the Board of Directors appointed Michel Paulin as Chief Executive Officer of Numericable-SFR.

Takeover of Numergy

On January 22, 2016, the Group finalized the acquisitions of the interests held by Caisse des Dépôts (33%) (acting in its own name and on behalf of the government under the Future Investments Program) and Atos (20%) in Numergy. In this way, the Group is perpetuating a company in which SFR has invested since its beginning. 50% of the price of these ownership interests was paid on January 22, 2016. The remaining 50% will be due January 22, 2017. In this context, the Group established a first-demand guarantee maturing in more than one year in order to cover the amount still due to Caisse des Dépôts and Atos/Bull.

Formed in September 2012, Numergy is a company that specializes in building and operating French and European Cloud computing infrastructures. Numergy was designed to become a true "digital energy power plant" serving the economy and growth. Its mission is to provide businesses (very small, small, medium, and intermediate businesses and major accounts) and public organizations with secure, high-performance and competitive IT resources. The SFR offer of Cloud computing services for businesses, a major component of the Group's strategy, is therefore strengthened. In effect, the Numergy offer and technology, which complement the offer of SFR and the Altice Group, represent an opportunity to accelerate the deployment of the Cloud in France and in Europe.

Agreement of the Kosc consortium by the Competition Authority for the acquisition of the Completel DSL network

On December 22, 2015, the Competition Authority approved the KOSC consortium for the acquisition of the DSL network of Completel, which is comprised of the companies OVH, Cofip, Kapix and Styx. On October 30, 2014, the Competition Authority had in fact authorized the purchase of SFR by Numericable, a subsidiary of the Altice Group, subject to certain commitments. In this context, Numericable had, among other things, agreed to sell the Completel DSL network in order to eliminate any risk of hurting competition in the markets for business-specific fixed-line telecommunications services.

This sale will mean that Numericable-SFR can honor the last of its structural commitments required by the ADLC (after the sale of the mobile telecommunications operations of Outremer Telecom in Réunion and Mayotte) and is expected to materialize in the first half of 2016.

Considering the non-materiality of the asset sold, it has not been presented as "assets held for sale" under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

Swaps trading

On February 16, 2016, the Group signed an interest rate swap agreement with JP Morgan Chase with the following features:

- Nominal: €4.0 billion
- Variable rate paid by the bank: 3-month EURIBOR

37 Subsequent events (Continued)

- Rate paid by the Group: (0.121%)
- Maturity: 7 years, but with a clause from the bank to advance the remaining cash flows at the end of 5 years.

The Group is continuing its strategy to hedge financial risks by converting approximately two-thirds of its variable rate borrowings into fixed rates. As a result, around 80% of the Group's long-term debt is fixed-rate.

38 Restated information

38.1 Consolidated statement of financial position

The consolidated statement of financial position as of December 31, 2014 has been restated:

- for the price adjustment related to the takeover of SFR and Virgin as described in Note 6—*Changes in scope* (€120 million reduction in "Goodwill" for SFR and €7 million for Virgin Mobile as an offsetting entry the "Other current financial assets" caption) in accordance with IFRS 3R;
- for the recognition of assets, liabilities and contingent liabilities in the context of the allocation of the acquisition price for SFR and Virgin Mobile as described in Note 6—*Changes in scope* in compliance with IFRS 3R;
- for several reclassifications as a result of the change in the presentation of the statement of financial position explained in Note 1.2—*Basis of preparation of financial information.* The following table shows the reconciliation of the consolidated statement of income published at December 31, 2014 to the restated statement:

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
	((in € millions)			
Goodwill	12,935	(2,381)	—	10,554
Intangible assets	4,196	4,199	—	8,395
Property, plant and equipment	5,897	(254)	—	5,643
Investments in associates	130	(4)	—	126
Other non-current assets	1,049	—	(1,049)[1]	—
Non-current financial assets	—	—	1,003[1]	1,003
Deferred tax assets	634	(133)	—	501
Other non-current assets	—	—	50[1]	50
Non-current assets	**24,840**	**1,426**	**4**	**26,270**
Inventories	256	—	—	256
Trade and other receivables	2,812	2	(82)[2]	2,732
Income tax receivable	252	—	—	252
Cash and cash equivalents	546	—	74[2]	620
Current financial assets	8	127	—	135
Current assets	**3,874**	**129**	**(8)**	**3,995**
TOTAL ASSETS	**28,714**	**1,555**	**(5)**	**30,265**

1 Non-current operating assets (other than financial) reclassified under a new dedicated caption titled "Other non-current assets").

2 Reclassification of notes receivables in cash and cash-equivalent receivables (€77 million) and current financial liabilities (-€5 million).

38 Restated information (Continued)

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
		(in € millions)		
Consolidated equity	**7,975**	**(13)**	**—**	**7,962**
Non-current financial liabilities	13,349	—	(13,349)[1]	—
Long-term term borrowings and financial liabilities	—	—	12,539[1]	12,539
Other non-current financial liabilities	—	—	810[1]	810
Non-current provisions	327	308	—	635
Deferred tax liabilities	43	1,251	—	1,294
Other non-current liabilities	583	(1)	—	582
Non-current liabilities	**14,302**	**1,558**	**—**	**15,860**
Current financial liabilities	283	—	(283)[1]	—
Short-term term borrowings and financial liabilities	—	—	179[1]	179
Other current financial liabilities	—	—	99	99
Trade payables and other current liabilities	5,621	—	(5,621)[2]	—
Trade payables and other liabilities	—	(3)	5,014[2]	5,011
Current income tax liabilities	217	—	—	217
Current provisions	317	13	—	330
Other current liabilities	—	(1)	607[2]	606
Current liabilities	**6,438**	**10**	**(5)**	**6,443**
TOTAL EQUITY & LIABILITIES	**28,714**	**1,555**	**(5)**	**30,265**

1 Financial liabilities reclassified into two separate categories: i) borrowing and financial debt and ii) other financial liabilities. The breakdown of the two captions is presented in Note 24—Financial liabilities.

2 Reclassification of trade payables and other current liabilities between trade and other payables and current liabilities. Other current liabilities as of December 31, 2014 include the short-term portion of deferred income (€591 million).

38 Restated information (Continued)

38.2 Consolidated statement of income

The consolidated statement of income as of December 31, 2014 was restated following the change in presentation explained in Note *1.2—Basis of preparation financial information*. The following table shows the reconciliation of the consolidated statement of income published at December 31, 2014 to the restated statement:

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
		(in € millions)		
Revenue	**2,170**	**—**	**—**	**2,170**
Purchasing and subcontracting	—	2	(632)[1]	(630)
Other operating expenses	(32)	—	(639)[1/6]	(670)
Staff costs and employee benefit expenses	(261)	—	91[2]	(170)
Depreciation, amortization and impairment	(461)	(35)	—	(496)
Other non-recurring income and expenses	—	—	(112)[3]	(112)
Purchases and subcontracting services	(1,331)	—	1,331[1]	—
Taxes and duties	(59)	—	59[1/6]	—
Provisions	(16)	—	16[4]	—
Other operating income	98	—	(98)[2]	—
Operating income	**108**	**(33)**	**16**	**91**
Financial income	15	—	—	15
Cost of gross financial debt	(439)	—	(65)[5]	(504)
Other financial expenses	(176)	—	65[5]	(111)
Net financial income (expense)	**(600)**	**—**	**0**	**(600)**
Share in net income (loss) of associates	4	—	—	4
Income before taxes	**(488)**	**(33)**	**16**	**(505)**
Income tax income (expense)	313	21	(16)[6]	317
Net income (loss) from continuing operations	**(175)**	**(13)**	**(0)**	**(188)**
Net income (loss) from discontinued operations	—	—	—	—
NET INCOME (LOSS)	**(175)**	**(13)**	**(0)**	**(188)**
• Attributable to owners of the company	(176)	(13)	(0)	(188)
• Attributable to non-controlling interests	0	—	—	0

1 The purchasing and outsourcing caption combines the direct costs related to sales (TV, telephony, DATA, etc.) and outsourcing costs. Other operating expenses include the following costs: Customer service, Marketing, Network, Selling, general and administrative expenses, Taxes and levies. These costs were previously combined for the most part under the "External purchasing" and "Taxes and levies" captions.

2 Personnel expense is now shown net of capitalized payroll, previously presented under "Other operating expenses" in the published financial statements They include the provisions for risks and losses related to personnel previously included on the "Provisions" line.

3 This category combines Group income/expenses considered non-recurrent.

4 Provisions are now broken down into new cost expense captions.

5 The cost of gross debt corresponds to the interest expense on the Group's Senior Facility Agreement and now includes the amortization of borrowing expense (using the effective interest method), exchange rate gains/losses on the Senior Facility, and the fair value impact of derivatives related to the Senior Facility. These items had previously been included in other financial expenses.

6 The amount of the CVAE tax for December 2014 was reclassified on the line "Tax income (expenses)".

38 Restated information (Continued)

38.3 Consolidated statement of consolidated cash flows

The consolidated statement of cash flows as of December 31, 2014 was restated following the change in presentation explained in Note *1.2—Basis of preparation financial information*. The following table shows the reconciliation of the published statement as of December 31, 2014 to the restated statement:

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
		(in € millions)		
Net income attributable to owners of the company	**(176)**	**(13)**	**—**	**(188)**
Adjustments:				
Non-controlling interests	0	—	—	0
Depreciation, amortization and provisions	466	35	—	500
Share of net income (loss) of associates	(4)	—	—	(4)
Gain (loss) on asset disposals	(16)	—	33	16
Net financial income (expense)	—	—	600[1]	600
Income tax expense (income)	(313)	(21)	16	(317)
Cost of gross financial debt	439	—	(439)[1]	—
Foreign currency differences, net	17	—	(17)[1]	—
Other non-cash items	54	—	(54)[1]	0
Income tax paid	(57)	—	(16)	(74)
Change in working capital requirement	725	(2)	(365)[1]	358
Net cash flow from operating activities	**1,135**	**(0)**	**(242)**	**893**
Acquisition of property, plant and equipment and intangible assets	(559)	—	(32)[2]	(591)
Acquisition of consolidated entities, net of cash acquired	(13,206)	—	—	(13,206)
Acquisition of held-for-sale financial assets	(3)	—	—	(3)
Disposals of property, plant and equipment and intangible assets	8	—	—	8
Change in working capital related to property, plant and equipment and intangible asset	—	—	160	160
Subsidies and grants received	2	—	(2)[2]	—
Net cash flow used by investing activities	**(13,758)**	**—**	**126**	**(13,632)**
Share repurchases	4,721	—	—	4,721
Issuance of debt	11,452	—	(48)[2/3]	11,403
Repayment of debt	(2,668)	—	30[3]	(2,638)
Interest paid	(436)	—	173[1]	(263)
Other cash flows from financing activities	—	—	(76)[1/3]	(76)
Net cash flow from (used by) financing activities	**13,068**	**—**	**79**	**13,147**
Adjustments with no impact on cash	—	—	74[4]	74
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**445**	**(0)**	**37**	**482**
Net cash and cash equivalents at beginning of period	101	0	—	101
Net cash and cash equivalents at end of period	546	0	37[3]	583

38 Restated information (Continued)

1 Adjustments now include all financial income whereas previously only the cost of gross debt, the change in the fair value of derivative instruments and foreign currency translations were neutralized. As a result of these reclassifications:

- "Other non-monetary items" represents the non-cash expense of stock option plans in the amount of €5 million, minus a gain on a financial sale in the same amount;
- the "Interest paid" caption presents the cash impact of the interest on the Senior Facilities;
- the "Other cash flows from financing activities" caption primarily includes the cost of extinguishing debt repaid in May 2014 in the amount of €89 million and the change in other financial liabilities excluding the Senior Facilities.

2 Asset acquisitions now include acquisitions financed by finance lease in the amount of €34 million net of subsidies received as an offset to a change in other financial liabilities.

3 The "Loans taken out" and "Repayment of loans" captions correspond only to the Senior Facilities, as changes in other financial liabilities are now posted to "Other flows from financing activities," with the exception of bank overdrafts now recognized on the line "Net cash and cash equivalents."

4 This amount corresponds to the reclassification at opening of bank overdrafts for -€4 million, notes receivable for €82 million and deposits for -€4 million.

39 Condensed consolidated pro forma financial information

39.1 Condensed consolidated pro forma income statement for the twelve-month period ended December 31, 2014

	2014					
				Adjustments Pro forma		
	Numericable-SFR historical consolidated financial statements	SFR	Virgin	Amount	Note	Numericable-SFR pro forma financial information
			(in € millions)			
Revenue	2,170	9,047	366	(147)	39.2.a	11,436
Operating expenses	(2,062)	(8,501)	(359)	(39)	39.2.b	(10,961)
Operating income	108	546	7	(186)		475
Financial income (expense)	(600)	(178)	(2)	(4)	39.2.c	(783)
Income tax income (expense)	313	(170)	(2)	35	39.2.d	176
Share of net income (loss) of associates	4	(18)	—	—		(14)
NET INCOME (LOSS)	**(175)**	**181**	**3**	**(154)**		**(146)**
• *Attributable to owners of the company*	(176)	172	3	(154)	39.2.e	(155)
• *Attributable to non-controlling interests*	—	9	—	—	39.2.e	9

39.2 Notes to the condensed consolidated pro forma financial statements at December 31, 2014

Basis of preparation

The condensed consolidated pro forma financial information, which is required by IFRS 3R for acquisitions, was prepared in accordance with Article 222-2 of the AMF General Regulations and AMF Instruction 2007-05 relating to pro forma financial information.

It includes a condensed pro forma income statement for the twelve-month period ended December 31, 2014, designed to present the impact of the Acquisitions of the SFR Group (SFR SA, SIG 50 and their subsidiaries, including Telindus France, acquired by the SFR Group on April 30, 2014) and of the Virgin Mobile Group (Omer Telecom Limited and its subsidiaries) and the associated financing, as if the "Transactions" (Acquisitions, financing of Acquisitions and refinancing transactions connected with the acquisitions) had occurred on January 1, 2014.

39 Condensed consolidated pro forma financial information (Continued)

The pro forma financial information is provided only by way of information and does not reflect the transactions or the financial position that Numericable-SFR would have reached if the Transactions had occurred on January 1, 2014. The pro forma financial information does not reflect Numericable-SFR's future operating results or its future financial position. It does not include the restructuring and/or consolidation costs that could be incurred following the Acquisitions, and which should not have a sustained impact on the Group.

The condensed consolidated pro forma financial information is based on estimates and assumptions that Numericable-SFR considers to be reasonable.

Only adjustments that can be documented and reliably estimated on the date that the condensed consolidated pro forma financial information is prepared are taken into account.

The change in the fair value of derivative financial instruments in the pro forma information was calculated on the basis of the market conditions and hedges existing in May 2014 when the Acquisitions were financed, which is why there are no pro forma adjustments in this respect.

The condensed consolidated pro forma financial information does not reflect any consolidation costs that could be incurred as a result of the Acquisitions. Non-recurring items that are directly attributable to the Transactions and that can be documented and reliably estimated are included in the pro forma adjustments.

Historical financial information

The condensed consolidated pro forma financial information should be read in conjunction with the Notes to these financial statements. It was prepared on the basis of:

- the Numericable-SFR consolidated financial statements at December 31, 2014;
- the combined financial statements of SFR S.A., SIG 50 S.A. and their subsidiaries for the eleven-month period ended November 30, 2014 (which have not been audited or reviewed).
- the Virgin Mobile consolidated financial information for the eleven-month period ended November 30, 2014. As Virgin Mobile's previous fiscal year ended on March 31, 2014, the financial information for the eleven-month period ended November 30, 2014 has been reconstituted from:
  - the consolidated financial statements as of March 31, 2014;
  - the consolidated financial information for the nine-month period ended December 31, 2013 (which has not been audited or reviewed);
  - the consolidated financial information for the eight-month period ended November 30, 2014 (which has not been audited or reviewed).

Intercompany transactions

Following the Acquisitions, all transactions between Numericable-SFR, the SFR Group and the Virgin Mobile Group are considered to be intragroup transactions. Accordingly, all transactions between Numericable-SFR, the SFR Group and the Virgin Mobile Group have been eliminated when preparing the pro forma financial information.

Pro forma adjustments

Unless otherwise indicated, the pro forma adjustments are determined before any tax impact.

(a) The pro forma adjustments to revenue reflect (i) the elimination of intercompany revenue generated between Numericable-SFR, SFR, Virgin Mobile and Telindus France totaling €222 million and (ii) the inclusion of Telindus France Group revenue for the four-month period from January 1, 2014 to April 30, 2014 in the amount of €75 million.

39 Condensed consolidated pro forma financial information (Continued)

(b) The pro forma adjustments to operating expenses primarily include (i) the amortization and depreciation related to identifiable assets recognized in the context of the acquisition of SFR (customers, brands, network) for €303 million, and the cancellation of the amortization of the old Neuf Cegetel subscriber base for €66 million; (ii) the elimination of intra-group transactions between Numericable-SFR, SFR, Virgin Mobile and Telindus France in the amount of €204 million, (iii) the inclusion of Telindus France Group operating expenses for the four-month period from January 1, 2014 to April 30, 2014 in the amount of €77 million; (iv) the zero net negative impact related to the triggering of the customer acquisition costs as recorded in the Group historical financial statements as from fiscal year 2015 (€113 million capitalized costs—an additional amortization of €113 million). The harmonization of management rules has no material impact on the pro forma operating income presented at December 31, 2014 and, therefore, has not been restated, and (v) a positive impact of €72 million corresponding to the reclassification of the CVAE tax as a tax liability through income.

(c) The pro forma adjustments to financing expenses (additional expense of €4 million) include mainly:

- The additional interest, for the period January to May 2014, on the new financing raised by Numericable-SFR in May 2014 as part of the acquisitions, totaling €229 million (including the amortization of the cost of arranging new borrowings over their lifetime). The pro forma adjustments have been calculated on the basis of the borrowing terms obtained in May 2014 when financing the acquisitions;
- The cancellation of interest relating to Numericable-SFR's former Senior Facility which has been refinanced and was repaid early in May 2014. That interest represented €55 million for fiscal year 2014.
- The cancellation of interest on SFR's and Virgin's financial debts to their former shareholders which were paid off by Numericable-SFR on the completion of the Transactions. These financing expenses represented €170 million for fiscal year 2014.

(d) Tax income of €35 million has been reflected in the condensed consolidated pro forma income statement corresponding to (i) a €72 million expense related to the reclassification of the CVAE as tax liabilities through income and (ii) tax income of €108 million related to the pro forma adjustments impacting pre-tax income.

(e) None of these adjustments are considered to have an impact on non-controlling interests.

39.3 Pro forma revenue by segment

Pro forma revenue can be analyzed by operating segment as follows:

	December 31, 2014 pro forma
	(in € millions)
B2C	7,888
B2B	2,223
Wholesale	1,325
TOTAL	**11,436**

39 Condensed consolidated pro forma financial information (Continued)

39.4 Reconciliation of pro forma operating income to pro forma adjusted EBITDA

The following table shows the reconciliation of the pro forma operating income as published in the condensed consolidated pro forma income statement to the pro forma adjusted EBITDA:

	December 31, 2014 pro forma
	(in € millions)
Operating income	**475**
Depreciation, amortization and impairment	2,299
SFR and Virgin Mobile acquisition expenses[(a)]	61
Restructuring costs[(b)]	52
Other non-recurring costs[(c)]	216
Costs relating to stock option plans[(d)]	13
Accelerated depreciation of assets[(e)]	54
Other income and expense items	43
ADJUSTED EBITDA	**3,213**

(a) Costs related to the acquisition of SFR and Virgin Mobile.

(b) These restructuring costs include settlement payments and other costs relating to workforce planning (*Gestion Prévisionnelle de l'Emploi et des Compétences/GPEC*).

(c) Include (i) costs relating to tax audits notified during the fiscal year as well as consulting fees relating to refinancing transactions by Numericable-SFR and (ii) the costs related to non-recurring disputes paid by the Group.

(d) Expenses related to IFRS 2.

(e) Additional impairment loss recognized when writing off assets.

The adjusted EBITDA is a financial indicator that is not defined in IFRS and excludes certain items that Numericable-SFR considers not relevant to its recurring operating activities or which are not cash. Numericable-SFR identified similar adjustments at SFR and Virgin based on the information provided by SFR and Virgin Mobile.

39.5 Reconciliation of published pro forma information to restated pro forma information

The following table explains the reconciliation of the condensed consolidated pro forma statement of income for the twelve-month period ended December 31, 2014 as published in the Group's 2014 Registration Document (hereinafter the "published pro forma financial information") to the condensed consolidated pro forma income statement for the twelve-month period ended December 31, 2015 as prepared in this note (hereinafter the "restated pro forma financial information"):

	2014		
	Pro forma financial information published	Adjustments	Pro forma financial information restated
		(in € millions)	
Revenue	11,436	—	11,436
Operating expenses	(10,795)	(166)[1]	(10,961)
Operating income	641	(166)[1]	475
Financial income (expense)	(783)	—	(783)
Income tax income (expense)	150	26[2]	176
Share of net income (loss) of associates	(14)	—	(14)
NET INCOME (LOSS)	**(6)**	**(140)**[2]	**(146)**
• *Attributable to owners of the company*	*(15)*	*(140)*	*(155)*
• *Attributable to non-controlling interests*	*9*	—	*9*

39 Condensed consolidated pro forma financial information (Continued)

1 The adjustments primarily include (i) a positive impact of €72 million corresponding to the reclassification of the CVAE as income tax liabilities (see Note 38 describing the impact of the 2015 change in presentation), (ii) a negative impact of €317 million corresponding to amortization related to identifiable assets recognized in the context of the SFR acquisition (brands, customers, network); and (iii) a positive impact of €66 million related to the cancellation of the amortization of the old Neuf Cegetel customer base (kept in the pro forma information as of December 31, 2014 pending SFR's PPA and fair value measurement of the customer base);

2 Includes a negative impact of €72 million related to the reclassification of the CVAE as income tax liabilities and a positive impact of €98 million related to the tax impact on the adjustments to operating income listed above.

40 Auditors' fees

The fees of the Numericable-SFR auditors and the members of their networks recognized as expenses in the Group consolidated financial statements at December 31, 2015 are presented in the table below:

	KPMG				Deloitte				Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Amount		%		Amount		%		Amount	
					(in € millions)					
Audit										
Numericable-SFR	0.3	0.2	17%	17%	0.3	0.2	13%	11%	0.6	0.5
Subsidiaries	1.0	0.5	54%	32%	1.1	0.6	48%	28%	2.1	1.0
Statutory audit fees, certification and auditing of the accounts	**1.3**	**0.7**	**70%**	**49%**	**1.5**	**0.8**	**61%**	**39%**	**2.8**	**1.5**
Numericable-SFR	0.5	0.7	26%	49%	0.3	0.9	14%	44%	0.8	1.6
Subsidiaries	0.1	0.0	3%	2%	0.1	—	6%	—	0.2	0.0
Other services related to the statutory audit	**0.5**	**0.7**	**30%**	**51%**	**0.5**	**0.9**	**19%**	**44%**	**1.0**	**1.6**
Subtotal	**1.9**	**1.4**	**100%**	**100%**	**1.9**	**1.7**	**80%**	**83%**	**3.8**	**3.1**
Other services										
Tax matters	—	—	—	—	0.5	0.4	20%	17%	0.5	0.4
Other	—	—	—	—	—	—	—	—	—	—
Subtotal	**0.0**	**0.0**	**0%**	**0%**	**0.5**	**0.4**	**20%**	**17%**	**0.5**	**0.4**
TOTAL	**1.9**	**1.4**	**100%**	**100%**	**2.4**	**2.1**	**100%**	**100%**	**4.3**	**3.5**

The subsidiaries listed in the table are fully consolidated companies.

Numericable-SFR

(Formerly Numericable Group)

Consolidated financial statements

for the year ended 31 December 2014

Numericable-SFR
1, Square Bela Bartok
75015 Paris

Statutory Auditors' Report on the consolidated financial statements

Fiscal year ended December 31, 2014

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

In the performance of the engagement entrusted to us pursuant to your Articles of Association and by your Shareholders' Meeting, we present below our report for the fiscal year ended December 31, 2014, on:

- the audit of the consolidated financial statements of Numericable-SFR S.A. (formerly Numericable Group S.A.), as appended to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made, 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 consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In application of the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

- Notes 4.1 "Acquisition of SFR", 4.2 "Acquisition of Virgin Mobile" and 6 "Changes in the scope of consolidation" disclose the terms and conditions relating to the takeover of SFR and Virgin Mobile and their impact on the consolidated financial statements, with the proviso that acquisition costs had not yet been fully allocated as of December 31,2014. Our procedures included verifying the proper accounting treatment of those acquisitions in accordance with Note 2.10 "Goodwill and business combinations" and that the information was appropriately disclosed in Notes 4.1, 4.2, 6, and 37.
- Note 3 "Main accounting principles and use of estimates" in the Notes to the consolidated financial statements explains the main accounting principles and estimates used in preparing the consolidated financial statements. This Note also discloses that future circumstances and

outcomes may result in changes to the estimates and assumptions made which may impact the Group's financial position, profits, and future cash flow. The most significant estimates relate to provisions, goodwill, derivatives, and deferred tax assets:

- The Company makes provisions to cover litigation risks as described in Note 2.20 "Provisions" in the Notes to the financial statements. Our procedures consisted of assessing, based on the information made available to us, the data and assumptions on which the estimates were based, and reviewing the Company's calculations, on a test basis. In our opinion, all uncertainties and disputes have been appropriately disclosed in Note 34 "Disputes" of the Notes to the consolidated financial statements.
- The Company systematically carries out goodwill impairment tests at the end of each accounting period, in accordance with the procedure described in Note 2.14 "Impairment of assets" of the Notes to the consolidated financial statements. We have reviewed the method for testing asset impairment, cash flow, and the assumptions used, and we have verified that Note 17 "Impairment tests" in the Notes to the consolidated financial statements appropriately reflects them.
- Note 2.19 "Derivative instruments" in the Notes to the consolidated financial statements explains the accounting principles for derivative instruments used by the Group to cover the risk of change rate fluctuations. We have verified that the accounting principles have been properly applied, and hedging instruments in particular, checked the consistency of the assumptions used to calculate the fair value of derivative instruments, and checked that Note 25 "Derivative Instruments" and Note 31 "Financial instruments," provide appropriate disclosure.
- In its Statement of consolidated financial position, the Group shows deferred tax assets of €634 million as of December 31, 2015, as disclosed in Note 13.3 "Changes in deferred taxes by type" in the Notes to the consolidated financial statements. We have reviewed the data and assumptions on which the projections of tax loss carry-forwards were based, have reviewed the Company's calculations, and have verified that Notes 2.7, 4.8 and 13 provide appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, on April 29, 2015	Neuilly-sur-Seine on April 29, 2015
French original signed by	French original signed by
KPMG Audit *Department of KPMG S.A.*	Deloitte & Associés
Grégoire Menou *Partner*	Christophe Saubiez *Partner*

Numericable-SFR

CONSOLIDATED STATEMENT OF INCOME

	Notes	2014	2013
		(in millions of euros)	
Revenues	8	**2,170**	**1,314**
Purchases and subcontracting services		(1,331)	(611)
Staff costs and employee benefits expense	9	(261)	(155)
Taxes and duties		(59)	(34)
Provisions		(16)	(20)
Other operating income	10	98	86
Other operating expenses	11	(32)	(20)
Operating income before depreciation and amortisation (EBITDA)	2.4	**569**	**560**
Depreciation and amortisation		(461)	(304)
Operating income		**108**	**256**
Financial income		15	10
Gross cost of debt		(439)	(185)
Other financial expenses		(176)	(149)
Finance costs, net	12	**(600)**	**(324)**
Income tax expense (income)	13	313	133
Share in net income (loss) of associates	18	4	(0)
Net income (loss)		**(175)**	**65**
—Attributable to owners of the entity		(176)	65
—Attributable to non-controlling interests		0	(0)
Earnings per share (in euros) attributable to owners of the entity	23.3		
Net income (loss)			
—basic		(0.97)	0.56
—diluted		(0.97)	0.56

Numericable-SFR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014	2013
		(in millions of euros)	
Net income (loss)		**(175)**	**65**
Cumulative translation adjustments		—	—
Cash flow hedges	25	(169)	—
Related taxes	13.3	64	—
Other items related to associates		—	—
Items that may subsequently be reclassified in profit or loss		**(105)**	**—**
Revaluation of defined benefit plan liabilities	28	(3)	(0)
Related taxes		—	—
Items that will not be subsequently be reclassified in profit or loss		**(3)**	**(0)**
Consolidated comprehensive income		**(282)**	**65**
Of which			
Comprehensive income attributable to owners of the parent		(282)	65
Comprehensive income attributable to non-controlling interests		—	—

The functional and presentation currency of all Group entities is the euro. As a result, no cumulative translation adjustments were recognised as of 31 December 2014 and 2013.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014	2013
		(in millions of euros)	
ASSETS			
Goodwill	14	12,935	1,484
Other intangible assets	15	4,196	307
Property, plant and equipment	16	5,897	1,465
Investments in associates	18	130	3
Other non-current financial assets	19	1,049	7
Deferred tax assets	13	634	133
Non-current assets		**24,840**	**3,399**
Inventories	20	256	50
Trade and other receivables	21	2,812	403
Other current financial assets	19	8	4
Tax receivable	13	252	3
Cash and cash equivalents	22	546	101
Assets classified as held for sale		—	—
Current assets		**3,874**	**561**
TOTAL ASSETS		**28,714**	**3,960**

	Notes	2014	2013
		(in millions of euros)	
EQUITY AND LIABILITIES			
Share capital		487	124
Additional paid-in capital		9,748	2,108
Reserves		(2,270)	(1,979)
Equity, Group share		**7,965**	**253**
Non-controlling interests		10	(0)
Total invested equity	23	**7,975**	**254**
Non-current financial liabilities	24	13,349	2,702
Non-current provisions	26	327	74
Deferred tax liabilities	13	43	—
Other non-current liabilities	29	583	103
Total non-current liabilities		**14,302**	**2,878**
Current financial liabilities	24	283	64
Current provisions	26	317	6
Trade payables and other current liabilities	30	5,621	757
Current income tax liabilities		217	(0)
Liabilities classified as held for sale		—	—
Total current liabilities		**6,438**	**828**
TOTAL EQUITY AND LIABILITIES		**28,714**	**3,960**

Numericable-SFR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Equity, Group share: Capital	Additional paid-in capital	Reserves	Other comprehensive income	Total	Non-controlling interests	Total Invested equity
		(in millions of euros)						
Position at 31 December 2012		**—**	**—**	**(286)**	**(1)**	**(287)**	**—**	**(287)**
Dividends paid		—	—	—	—	—	—	—
Comprehensive income		—	—	65	(0)	65	—	65
Contributions of Ypso and Altice B2B	5.1	114	1,882	(1,995)	—	—	—	—
Issuance of new shares	5.2	10	226	—	—	236	—	236
Share-based compensation	5.3	—	—	1	—	1	—	1
Transactions with shareholders	5.2	—	—	240	—	240	—	240
Other		—	—	—	—	—	—	—
Position at 31 December 2013		**124**	**2,108**	**(1,977)**	**(2)**	**253**	**—**	**254**
Dividends paid		—	—	—	—	—	—	—
Comprehensive income		—	—	(175)	(108)	(282)	0	(282)
Issuance of new shares	4.4	266	4,455	—	—	4,720	—	4,720
Contributions of SFR shares	4.4	97	3,185	—	—	3,282	—	3,282
Share-based payments	4.7	—	—	5	—	5	—	5
Share repurchases	4.6	—	—	(1)	—	(1)	—	(1)
Other movements		—	—	(12)	—	(12)	9	(3)
Position at 31 December 2014		**487**	**9,748**	**(2,160)**	**(110)**	**7,965**	**10**	**7,975**

Breakdown of changes in equity related to other comprehensive income:

	Attributable to owners of the parent: Hedging instruments	Actuarial gains and losses	Deferred taxes	Total other comprehensive income
	(in millions of euros)			
Balance as at 31 December 2012	**—**	**(1)**	**—**	**(1)**
Change	—	(0)	—	(0)
Balance as at 31 December 2013	**—**	**(2)**	**—**	**(2)**
Change	(169)	(3)	64	(108)
Balance as at 31 December 2014	**(169)**	**(5)**	**64**	**(110)**

Numericable-SFR

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2014	2013
		(in millions of euros)	
Net income (loss) from continuing operations		**(175)**	**65**
Non-cash items			
Share in net income (loss) of associates	18	(4)	—
Depreciation and amortisation		466	317
Gains and losses on disposals of assets	10/11	(16)	10
Income tax expense (income)	13	(313)	(133)
Cost of gross financial debt	12	439	185
Foreign currency differences, net		17	—
Other non-cash items(1)		54	110
Change in working capital and other payments			
Change in working capital		725	21
Income tax paid		(57)	(4)
Net cash provided (used) by operating activities		**1,135**	**570**
Purchases of property, plant and equipment and intangible assets(2)	15/16	(559)	(330)
Proceeds from disposals of property, plant and equipment and intangible assets	10	8	5
Decrease (increase) in loans and other financial assets		(3)	(1)
Investments in companies included in the scope of consolidation, net of cash acquired(3)		(13,206)	(27)
Subsidies and grants received		2	10
Net cash provided (used) by investing activities		**(13,758)**	**(343)**
Capital increases of the parent company(4)	4.4	4,721	236
Issuance of debt(5)	4.3	11,452	797
Repayment of debt(6)	4.3	(2,668)	(987)
Interest paid		(436)	(181)
Net cash provided (used) by financing activities		**13,068**	**(134)**
Net increase (decrease) in cash and cash equivalents		**445**	**93**
Cash and cash equivalents—opening balance		**101**	**8**
Cash and cash equivalents—closing balance		**546**	**101**

(1) As at 31 December 2014, other non-cash items mainly related to financing costs deferred using the amortised cost method, with no effect on cash, in the amount of 54 million euros (20 million euros in 2013). In 2013, they included expenses related to the settlement of shareholder debt (premiums related to the extinguished Super PECs) in the amount of 89 million euros.

(2) Investments in property, plant and equipment, and intangible assets financed through finance leases in the amount of 34 million euros in 2014 (compared to 39 million euros in 2013) had no impact on the statement of cash flows at the time of the purchases.

(3) This corresponds to net cash disbursement related to the acquisitions of SFR (12,919 million euros) and Virgin (287 million euros).

(4) Capital increase through a public offering of 4,733 million euros in cash, net of 13 million euros in related expenses.

(5) This mainly corresponds to new financing facilities arranged in May 2014 for a total of 11,653 million euros net of 250 million euros in fees on loans disbursed. In 2013, debt issues mainly corresponded to the new Tranche D for 800 million euros, net of 10 million euros in fees on loans disbursed.

(6) This amount mainly reflects 2,638 million euros in debt settled during refinancing transactions in May 2014. In 2013, loan payments primarily reflected debt settled during refinancing transactions in December 2013 (480 million euros in bonds and 451 million euros of Altice B2B senior debt).

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Numericable-SFR

Consolidated financial statements

for the year ended 31 December 2014

1 Basis of preparation of the consolidated financial statements

1.1 Numericable-SFR

Numericable-SFR (formerly Numericable Group and hereafter referred to as **"The Company"**) is a limited company incorporated under French law in August 2013, which is headquartered in France

On 7 November 2013, as part of the Company's prospective IPO, Numericable-SFR received the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France, respectively.

As Ypso Holding SARL and Altice Lux Holding SARL, before being contributed to Numericable-SFR and after the IPO, were and remained entities under joint control (controlled by the Carlyle, Cinven and Altice private equity funds acting in concert), the contribution transactions did not constitute an acquisition within the meaning of IFRS 3—Business Combinations. The Group therefore opted to account for this transaction in carrying amounts, and the 2013 consolidated financial statements were prepared as if the contribution of the equity securities of Ypso Holding SARL and Altice Lux Holding SARL had occurred before 1st January 2012.

Ypso France, which operates Numericable's commercial business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France also provides French residential customers with broadband Internet, fixed telephony and mobile telecommunications services.

Altice B2B France, through its main operational entity, Completel, operates the largest alternative *FTTO* (Fibre-To-The-Office) network in France and constitutes France's third-largest alternative *DSL* (Digital Subscriber Line) network. Completel SAS provides business customers with a comprehensive service offering, including data transmission, very high-speed Internet, telecommunications services, convergence and mobility solutions, through fibre and DSL networks.

In 2014 Numericable-SFR acquired operators SFR and Virgin Mobile, as described in Notes 4.1, 4.2 and 5, with the ambition of becoming the domestic leader of fixed and mobile "Very High-Speed" services.

On 27 November 2014, following the acquisition of SFR, the Group's Board of Directors decided to change the Company's name from Numericable Group to Numericable-SFR.

1.2 Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2014, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes, have been prepared in accordance with *International Financial Reporting Standards* (**IFRS**) as issued by the IASB (International Accounting Standards Board) and as adopted in the European Union (EU) as of 31 December 2014. These international standards include IAS (*International Accounting Standards*), IFRS (*International Financial Reporting Standards*) and their interpretations (SIC and IFRIC).

The accounting and valuation principles defined in the IFRS as adopted by the European Union are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Standards and interpretations mandatory for the year ended 31 December 2014

In its 2014 consolidated financial statements, the Group applied new standards and amendments adopted by the European Union, which became mandatory on 1st January 2014:

- IFRS 10—*Consolidated Financial Statements*;
- IFRS 11—*Joint Arrangements*;

1 Basis of preparation of the consolidated financial statements (Continued)

- IFRS 12—*Disclosure of Interests in Other Entities*;
- Amendment to IAS 27 (revised in 2011)—*Separate Financial Statements*;
- Amendment to IAS 28 (revised in 2011)—*Investments in Associates and Joint Ventures*;
- Amendment to IAS 32—*Presentation—Offsetting Financial Assets and Financial Liabilities*;
- Amendment to IAS 36—*Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendment to IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*.

These new standards and amendments had no material impact on the consolidated financial statements as at 31 December 2014, or only had an impact on the information in the notes and the presentation.

Standards and interpretations mandatory after 31 December 2014 and not adopted early

The Group did not opt for the early application of any standards and interpretations mandatory after 31 December 2014.

Of the IFRS and IFRIC issued by the IASB/IFRS IC but not yet in force, which the Group has not opted to apply early, those likely to affect the Group are mainly:

- IFRIC 21—*Levies Charged by Public Authorities*, with mandatory application in 2015. Applying this interpretation may lead, where appropriate, to a modification of the analysis of the activity that triggers recognition of the liability.
- IFRS 15—*Revenue from Contracts with Customers* on the recognition of such revenue, applicable as of 1st January 2017.
- IFRS 9—*Financial Instruments*, effective for annual periods beginning on or after 1st January 2018.

Management is currently assessing the potential impact of the application of these standards, interpretations and amendments on the income statement, the statement of financial position, the statement of cash flows and the notes to the Financial Statements.

The Consolidated Financial Statements were prepared under the responsibility of the Board of Directors, and approved by the Board of Directors on March 4, 2015.

In accordance with French law, the consolidated financial statements will be considered final once they have been approved by the Group's shareholders at the Ordinary Shareholders' Meeting in the second quarter of 2015.

2 Significant accounting policies

2.1 Consolidation methods

The list of entities included in the scope of consolidation is presented in Note 35—*List of consolidated entities*.

Consolidated entities

The new model of control, introduced by IFRS 10, is based on the following three criteria which must be met simultaneously in order to determine the exercise of control by the parent company:

- The parent company has power over the subsidiary when it has effective rights that give it the ability to direct the relevant activities - i.e., the activities that significantly affect the subsidiary's returns. Power may arise from existing and/or potential voting rights and/or contractual

2 Significant accounting policies (Continued)

arrangements. Voting rights must be substantial - i.e., they must be able to be exercised when decisions about the relevant activities are to be made without limitation and particularly in decision-making on relevant activities. Assessing how much power is held depends on the subsidiary's relevant activities, its decision-making process and the way the rights of its other shareholders are distributed;

- The parent company is exposed or has rights to variable returns from its involvement with the subsidiary, which may vary according to its performance. The notion of return is broadly defined and includes dividends and other forms of distributed economic advantages, the valuation of the investment, cost savings, synergies, etc.
- The parent company has the ability to use its power to affect the subsidiary's returns. Any power that does not entail this kind of influence does not qualify as control.

These entities are consolidated using the full consolidation method.

Full consolidation method

This method involves consolidating in the financial statements the items in the statement of financial position, the statement of comprehensive income and the statement of cash flows of the entities controlled within the meaning of IFRS 10, completing any restatements, eliminating intragroup transactions and accounts, as well as internal results, and allocating the shareholders' equity and income between the parent company interests and non-controlling interests.

Consolidated comprehensive income includes the income of subsidiaries acquired during the year, prorated from their date of acquisition. The income of subsidiaries sold during the same period is included until the date of their sale.

Interests that do entail control over the subsidiaries' net assets are presented on a separate line under shareholders' equity called "Non-controlling interests". They include non-controlling interests as of the takeover date and the non-controlling interests' share in the change in shareholders' equity as from that date. Subject to arrangements that would indicate a different allocation, negative results of subsidiaries are systematically allocated between equity attributable to owners of the parent company and non-controlling interests based on their respective share of ownership, even if it becomes negative.

Joint Arrangements

IFRS 11—*Joint Arrangements*, applied as of 1st January 2014, provides financial reporting guidelines for entities that hold interests in joint arrangements). In a joint arrangement, the parties are bound by a contractual arrangement that gives them joint control of the company. The entity that is party to a joint arrangement must therefore determine if the arrangement gives all the parties, or a group of some of them, joint control over the company. The existence of joint control is then assessed for decisions about the relevant activities that require the unanimous consent of the parties that jointly control the company.

Joint arrangements are classified into two categories:

- Joint ventures (or joint operations): These are arrangements in which the parties that have joint control over the company have direct rights to its assets and obligations for its liabilities. The parties are called the "joint investors". The joint investor recognises 100% of the joint operation's assets/liabilities/expenses/income that it owns itself and the share of the items that it owns jointly. These arrangements involve joint investment agreements signed by the group.

2 Significant accounting policies (Continued)

– Joint ventures: These are partnerships in which the parties that have joint control over the company have rights to its net assets as a whole. The parties are called the "co-owners". Each co-owner recognises its rights to the net assets of the entity using the equity method (see paragraph below).

Associates

Associates in which the Group has significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group directly or indirectly holds 20% or more of the voting rights of an entity, unless it can clearly show that this is not the case. The existence of significant influence can be shown by other criteria such as representation on the Board of Directors or the governing body of the jointly held entity, participation in policy-making processes, the existence of material transactions with the entity, or the sharing of management personnel.

Equity method

Under the equity method, investments in associates and joint ventures are stated at acquisition cost, including goodwill and transaction costs. Price supplements initially measured at fair value are recognised in the cost of the investment, where their payments can be measured with sufficient reliability.

The Group's share in the net income of associates and joint ventures is recognised in the income statement while its share in the movements of reserves after acquisition is recognised in reserves. The post-acquisition movements are adjusted against the value of the investment. The Group's share in the net losses of associates and joint ventures is recognised to the extent of the investment made, unless the Group has a legal or constructive obligation of support for the undertaking.

Any surplus of the cost of acquisition over the Group's share in the net fair value of the identifiable assets of the associate recognised at the date of acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is taken into account in impairment testing on that asset.

2.2 Foreign currency translation

The Consolidated Financial Statements are presented in euros—the functional currency of all Group companies and of the parent company. All financial data are rounded to the nearest million euros.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are recognised in profit or loss for the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognised in profit or loss.

USD/EUR exchange rate used in the 2014 consolidated financial statements:

Closing rate on 31 Dec. 2014:	1 EUR = 1.2110 USD
Average rate in 2014:	1 EUR = 1.3284 USD

2.3 Revenues

Revenues from the Group's activities mainly consist of services (telephone packages, TV subscriptions, high-speed Internet, telephony and installation services), equipment sales and telecommunications network leases.

2 Significant accounting policies (Continued)

Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts, and after eliminating intra-group sales between entities included in the scope of consolidation.

Income is recognised and presented as follows, in accordance with IAS 18—*Revenue*:

Equipment sales

Proceeds from terminal sales are recognised as revenues upon transfer of the risks and rewards of ownership to the purchaser.

Separable elements of a bundled offer

Revenues from telephone packages are recognised as a sale with multiple elements. Revenues from the sale of terminals (mobile phones and other) are recognised upon activation of the line, net of discounts granted to the customer at the point of sale and activation fees.

Other costs of acquisition and retention, including premiums not associated with terminal sales as part of telephone packages and fees paid to distributors, are immediately expensed.

When the elements of such transactions cannot be identified or analysed as separable from a larger offer, they are considered to be related and the associated revenues are recognised in their entirety over the term of the contract or the expected duration of the customer relationship.

Services

Proceeds from subscriptions (Internet access, basic cable service, digital pay TV) and telephone payment plans (fixed or mobile) are recognised on a straight-line basis over the duration of the relevant service.

The Group sells some telephone payment plans that allow the unused call minutes for a given month to be rolled over to the following month. Roll-over minutes are recognised for the share of revenue they represent in the telephone subscription at the time they are actually used or when they expire. Revenues on incoming and outgoing calls as well as on calls made outside plans are recognised when the service is rendered.

Revenues generated by the coupons sold to distributors and prepaid Mobile cards are recognised as and when the end customer uses them, starting when such coupons and cards are activated. The unused balance is recorded in deferred income at the closing date. The proceeds in any event are recognised on the date of the card's expiration or when use of the coupon is statistically improbable.

Sales of subscription services managed by the Group on behalf of content providers (mainly special numbers and SMS+) are recognised gross, or net of payments made to content providers under IAS 18, and especially when these providers are responsible for the content and for setting the subscription rates.

Connection and installation fees billed mainly to operators and business customers during the implementation of services such as ADSL connection, bandwidth capacity or IP connectivity are recognised over the estimated duration of the customer relationship and of the main service supplied, based on statistical data.

Installation and set-up services (including connection) for residential customers are recognised as revenues when the service is rendered.

Revenues related to switched services are recognised as and when traffic is routed.

2 Significant accounting policies (Continued)

Revenues from services for bandwidth capacity, IP connectivity, local high-speed access and telecommunications are recognised as and when the services are rendered to customers.

Access to telecommunications infrastructure

The Group provides access to its telecommunications infrastructure to its operator customers through different types of contracts: leases, hosting contracts and IRUs (Indefeasible Rights of Use). IRU agreements grant the use of property (cables, fibre optics or bandwidth) over a defined, usually long duration, with the Group retaining ownership. Revenues from lease agreements, hosting contracts in Netcenters and infrastructure IRUs are recognised over the term of the contract, except when they qualify as finance leases; in this case, the equipment is accounted for as sales on credit. In the case of IRUs and sometimes leases or service contracts, the service is paid in advance for the first year. These non-refundable prepayments are recorded as deferred income and amortised over the expected life of the contract.

Infrastructure sales

The Group builds infrastructure for some of its customers. Revenues relating to infrastructure sales are recognised upon the transfer of ownership. When it is estimated that a contract will be unprofitable, a provision for onerous contract is booked.

Loyalty programs

In application of IFRIC 13, the Group measures the fair value of the incremental benefit granted as part of its loyalty programs. For the periods presented, this value is not material, so no revenue has been deferred under it.

2.4 Operating income before depreciation and amortisation

The Group has included the aggregate "Operating income before depreciation and amortisation" or "EBITDA" in the consolidated income statement because Management believes that this aggregate is useful: it provides a measure of operating results that excludes non-cash items such as depreciation and amortisation, thereby enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by Management to measure the Company's operational and financial results, to make investment and resource-allocation decisions, and to assess the performance of management personnel.

EBITDA may not be comparable with similarly named measures used by other entities. It cannot be considered as a proxy for operating income, as the effects of depreciation and amortisation, which are excluded from this measure, have an impact on operating income, which is also presented in the consolidated income statement in accordance with IAS 1.

2.5 Financial income and expenses

Financial income and expenses primarily comprise:

- interest expenses and other expenses paid for financing transactions recognised at amortised cost and changes in the fair value of interest rate derivative instruments that do not qualify as hedges within the meaning of IAS 39—*Financial Instruments: Recognition and Measurement*;
- interest income relating to cash and cash equivalents.

2 Significant accounting policies (Continued)

2.6 Segment information

IFRS 8—*Operating Segments*, requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following three segments:

- B2C Operations
- B2B Operations
- Wholesale Services

B2C Operations

The Group provides residential customers with telephone subscriptions, TV subscription services, high-speed Internet, and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering: data transmission, high-speed Internet, telecommunications services, convergence and mobility solutions, by directly connecting their equipment to fibre and DSL networks.

Wholesale

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, as well as the related maintenance services.

2.7 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except if it relates to off-balance-sheet items, in which case it is recognised in off-balance sheet items (see Note 13).

Current tax is the tax payable on the taxable income for the year, estimated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences on the closing date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) investments in subsidiaries, joint ventures and associates when the Group is able to control the timing of the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future.

For companies included in the scope of consolidation, a deferred tax liability may be recognised in respect of prospective dividend payments by these companies.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, in accordance with the rules in effect at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities when the taxable entity intends to settle current tax liabilities and assets on a net basis or when tax assets and liabilities are to be realised simultaneously.

2 Significant accounting policies (Continued)

Deferred taxes are reviewed at each reporting date to take into account changes in tax legislation and the possibility of recovering deductible temporary differences and tax losses. A deferred tax asset is recognised when it is probable that future taxable profits against which the temporary difference can be utilised will be available.

2.8 Investment grants

Investment grants received are deducted from the gross carrying amount of property, plant and equipment to which they relate. They are recognised in the income statement as a reduction in the depreciation charge over the useful life of the related assets.

2.9 Site remediation

The Group has a contractual obligation to rehabilitate network sites (mobile and fixed) at the end of any lease that is not renewed. Accordingly, site remediation costs are calculated on the basis of:

- an average unit cost of site remediation,
- assumptions about the life of the dismantling assets, and
- a discount rate.

2.10 Goodwill and business combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquired business that meet the criteria of the revised IFRS 3 are recognised at their fair value at the acquisition date.

The consideration transferred corresponds to the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The goodwill arising from a business combination is equal to the difference between:

- the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the acquirer's previously held equity interest in the target, and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognised in assets in the consolidated balance sheet. When the difference is negative, it is directly recognized through profit or loss.

The secondary costs directly attributable to an acquisition giving control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with IAS 32—*Financial Instruments: Presentation* and IAS 39.

When goodwill is determined provisionally at the end of the period in which the combination is effected, any adjustments to the provisional values within 12 months of the acquisition date are recognised in goodwill.

Changes in the Group's share of ownership of equity securities in a subsidiary which do not lead to a loss of control over the latter are recognised as shareholders' equity transactions.

Goodwill resulting from the acquisition of associates and joint ventures is included in the carrying amount of the investment.

Goodwill is not amortised, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note 16.

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

2 Significant accounting policies (Continued)

2.11 Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recognised at historical cost less accumulated amortisation and any accumulated impairment losses.

Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use. Intangible assets consist mainly of operating licenses, IRUs, patents, and purchased software and internally developed applications.

Licenses to operate telephone services in France are recognised for the fixed amount paid for the acquisition of the license. The variable portion of license fees, which amounts to 1% of the revenues generated by these activities, cannot be reliably determined and is therefore expensed in the period in which it is incurred.

- The UMTS license is recognised at historical cost and amortised on a straight-line basis from the service activation in June 2004 to the end of the license period (August 2021), corresponding to its expected useful life;
- the GSM license, renewed in March 2006, is recognised at the present value of 4% of the fixed annual fee of 25 million euros, and amortised on a straight-line basis from that date until the end of the license period (March 2021), corresponding to its expected useful life;
- the LTE license is recognised at historical cost and is amortised on a straight-line basis from the service activation date until the end of the license period. The 2.6 GHz band license acquired in October 2011 is being amortised as from 30 November 2012 (end of license: October 2031). The 800 MHz band license acquired in January 2012 was activated on 3 June 2013 and is being amortised over a remaining duration of 18 years (end of license: January 2032).

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the majority of the underlying asset's useful life. They are amortised over the shorter of the expected period of use and the life of the contract (between 3 and 30 years).

Patents are amortised on a straight-line basis over the expected period of use (generally not exceeding 10 years).

Software is amortised on a straight-line basis over its expected useful life (which generally does not exceed 3 years).

Internally developed intangible assets

The cost of an internally developed intangible asset is the sum of personnel expenses incurred from the date the intangible asset first meets the recognition criteria of IAS 38. An intangible asset arising from the development phase of an internal project is recognised if an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention of completing the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the capacity of the intangible asset to generate probable future economic benefits.

2 Significant accounting policies (Continued)

Among other things, the Group must demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to reliably measure the expenditures attributable to the intangible asset during its development.

Capitalisation of costs ceases when the project is finalised and the asset is available for use.

The cost of an internally developed intangible asset arising from the development phase of an internal IT project is amortised on a straight-line basis over its expected useful life (which is generally not greater than three years).

Investments made under public service concessions or delegations

Investments made as part of public service concessions or delegations and related to the roll-out of the telecommunications network are recognised as intangible assets in accordance with IFRIC 12—*Service Concession Arrangements*. The "intangible model" provided by this interpretation applies when the operator receives a right to charge users of the public service and is substantially paid by the user. Intangible assets are amortised over the shorter of the estimated useful life of the relevant asset categories and the duration of the concession.

2.12 Property, plant and equipment

Property, plant and equipment are measured at historical cost less cumulative depreciation and impairment losses.

Historical cost includes the acquisition cost or the production cost, the costs directly attributable to using the asset on the site and to its conditions of operation, and the estimated costs of dismantling and removing the asset and remediating the site where it is installed, in line with the obligation incurred. In addition, borrowing costs attributable to qualifying assets whose construction period is longer than one year are capitalised as part of the cost of that asset. Conversely, subsequent maintenance costs (repairs and maintenance) of the asset are recognised in profit or loss. Other subsequent expenditures that increase productivity or the life of the asset are recorded as assets.

Material components of property, plant and equipment whose useful lives are different are recognised and depreciated separately.

Property, plant and equipment mainly comprise network equipment.

The main useful lives are as follows:

Technical buildings and constructions	15 to 25 years
Network equipment:	
Optical cables	30 to 50 years
Engineering facilities, Pylônes	20 to 40 years
Other equipment	4 to 15 years
Set-top box and access fees	3 to 5 years
Furniture and fixtures	5 to 10 years
Miscellaneous equipment	2 to 5 years

Estimated useful lives are reviewed regularly and any changes in estimates are recorded prospectively.

2 Significant accounting policies (Continued)

Telecommunication materials and equipment are investments that are highly subject to technological change: write-offs or impairments with prospective revision of the amortisation period may be recognised if the group has to prematurely write off certain technical equipment or if it is forced to revise the projected useful life of certain categories of equipment.

Gains or losses on disposal of property, plant and equipment are the difference between the profit from the disposal and the carrying amount of the asset, and are recognised in the caption "Other operating income/expenses" of the consolidated income statement.

FTTH deployment

Decision No. 2009-1106 of the Autorité de Régulation des Communications électroniques et des Postes (Regulatory Authority on Electronic Communications and Postal Services, ARCEP) dated 22 December 2009 regulates the use of fibre optics in very densely populated areas by establishing joint investment rules between phone operators.

The reference offers issued by the operators in accordance with this decision are dealt with in IFRS by the application of IFRS 11—*Joint Arrangements*. Thus, when the Group is an *ab initio* a joint investor, only its share of the assets is recorded in property, plant and equipment, and when the Group is an *a posteriori* investor, the IRU or the usage right is recognised in property, plant and equipment. The same treatment applies for joint investment in moderately dense areas defined by ARCEP.

2.13 Leases

Under IAS 17—*Leases*, leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables in the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are expensed in the period in which they are incurred.

Operating lease payments are expensed on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Significant accounting policies (Continued)

2.14 Impairment of assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment, or assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress are subject to annual impairment testing.

This testing is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit ("CGU") with its carrying amount.

An asset's or CGU's net recoverable amount is the greater of its fair value less costs to sell or its value in use.

The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those derived from other assets or groups of assets. In that case, the recoverable amount is determined for the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs for the Group are "B2C Operations", "B2B Operations", and "Wholesale Services".

The value in use of each asset or group of assets is determined as the present value of future cash flows (discounted cash flow method or "DCF") by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable on the measurement date from the sale of the asset or group of assets in an ordinary transaction between market participants, less costs to sell.

When the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognised in the line "Depreciation and amortisation" of the income statement. Only impairment losses recognised on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful lives and property, plant and equipment may be reversed.

2.15 Non-derivative financial assets

Pursuant to the provisions of IAS 39, financial assets are classified in one of four categories:

- available-for-sale assets
- loans and receivables
- held-to-maturity securities
- financial assets at fair value through profit or loss.

Purchases and sales of financial assets are recognised on the transaction date—the date on which the Group has committed to purchase or sell the assets.

A financial asset is classified as current when the maturity of the instrument's expected cash flows is less than one year.

Available-for-sale financial assets

Available-for-sale financial assets are recognised initially at fair value. Gains and losses on available-for-sale financial assets are recorded in other comprehensive income until the investment is derecognised or until it is demonstrated that the investment classified as equity instruments has permanently or significantly lost all or some of its value, when the cumulative gain or loss previously recorded in income and expenses recognised directly in other comprehensive income is transferred to the income statement.

2 Significant accounting policies (Continued)

This category consists mainly of non-consolidated equity interests.

These assets are included in the balance sheet under non-current financial assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortised cost using the effective interest method.

This category consists mainly of trade receivables and other receivables and other assets such as deposits and advances to associates.

If there is objective evidence that an impairment loss has been incurred, its amount is calculated as the difference between the carrying amount of the financial assets and the value of future estimated cash flows, discounted at the original effective interest rate, with the difference being recognised in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortised cost, using the effective interest method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value, with gains and losses recorded in the income statement.

This category mainly includes:

– assets held for trading that the Group intends to sell in the near future (primarily marketable securities);
– assets voluntarily classified at inception in this category;
– derivative financial assets.

2.16 Inventories

Inventories, consisting mainly of set-top boxes and technical equipment, are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method, and includes the acquisition cost of materials.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.17 Cash and cash equivalents

Cash consists of cash in bank accounts and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date that is generally less than three months from the time of purchase.

2 Significant accounting policies (Continued)

2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract resulting in a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recorded for the proceeds received, net of direct issuance costs.

Financial liabilities

Financial liabilities other than derivatives mainly include bonds and term loans taken out in connection with the acquisition of SFR, liabilities related to finance leases, the potential price supplement that Vivendi may receive following the sale of SFR based on the Group's financial performance, guarantee deposits received from customers, advances received and bank overdrafts.

They are measured at amortised cost, using the effective interest method in accordance with IAS 39. The effective interest rate is the internal rate of return that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. Accrued interest is included in "Current portion of financial liabilities" in the balance sheet.

2.19 Derivative instruments

The Group uses various derivative instruments to hedge its exposure to foreign exchange rate fluctuations.

Derivatives are initially recognised at fair value on the date of inception of a derivative contract, and are subsequently remeasured at their fair value on each closing date.

Hedge accounting is applicable if:

- The hedging relationship is clearly defined and documented at the date of establishment;
- The effectiveness of the hedging relationship is demonstrated at its inception and in subsequent periods: i.e., if at the beginning of the hedge and throughout its duration, the Group expects that the changes in fair value of the hedged item will be almost fully offset by changes in the fair value of the hedging instrument, and if actual results are within a range between 80% and 125%.

There are three types of hedge accounting:

- the fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability that are attributable to interest rate risk and/or currency risk and could affect profit. The hedged portion of these items is remeasured at fair value in the statement of financial position. The change in fair value is recognised in the income statement where it is offset within the limits of the effectiveness of the hedge by symmetrical changes in the fair value of hedging instruments;
- the cash flow hedge is a hedge of the exposure to cash flow fluctuations attributable to interest rate risk and/or changes associated with a recognised asset or liability or a highly probable forecast transaction (e.g., an expected sale or purchase) and that could affect profit. The hedged item is not recorded in the statement of financial position; thus the effective portion of the change in fair value of the hedging instrument is recognised in other comprehensive income. It is reclassified in profit or loss when the hedged item affects profit or is reclassified in the initial cost of the hedged item where it concerns covering acquisition cost of a non-financial asset;

2 Significant accounting policies (Continued)

– the net investment hedge is a hedge of the exposure to changes in value attributable to the foreign currency risk of a net investment in a foreign operation that could affect profit when the investment is sold. The effective portion of net investment hedges is recognised in other comprehensive income and reclassified in profit or loss when the net investment is sold.

The cessation of hedge accounting may result in particular from the elimination of the hedged item, voluntary termination of the hedging relationship, or the cancellation or maturation of the hedging instrument. The accounting consequences are as follows:

– for fair value hedges: the fair value adjustment of debt at the date of cessation of the hedging relationship is amortised based on a recalculated effective interest rate on that date;

– for cash flow hedges: the amounts recorded in other comprehensive income are reclassified into profit or loss when the hedged item is eliminated. In other cases, they are taken straight to profit or loss over the remaining term of the hedging relationship as originally defined.

In both cases, the subsequent changes in value of the hedging instrument are recognised in profit or loss.

2.20 Provisions

Under IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*, provisions are booked when at the end of the reporting period the Group has a legal, regulatory, contractual or implicit obligation resulting from past events, and it is probable that an outflow of resources generating economic benefits will be required to meet the obligation, and that the amount can be reliably estimated.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money, taking into account the risks attached to the liability as appropriate. If a reliable estimate of the amount of the obligation cannot be made, no provision is recorded and a report is made in the notes.

Provisions mainly include:

– provisions to cover litigation and disputes concerning the Group's activities. Their amounts are estimated based on a case-by-case risk assessment.

  Events occurring during proceedings may lead at any time to a reassessment of these estimates;

– provisions for restructuring, which are recognised once the restructuring has been announced and a plan has been detailed or launched. Such provisions are generally not discounted due to their short—term nature;

– provisions for site remediation, which are assessed based on the number of sites involved, an average unit cost of site remediation and assumptions about the life of the decommissioning asset and the discount rate. When a site is decommissioned, the corresponding provision is reversed;

– provisions for employee benefits, which are detailed in the following section.

2.21 Employee benefits

The Group provides employee benefits through contributions to defined-contribution plans and defined-benefit plans. The Group recognises pension costs related to defined-contribution plans as they are incurred under personnel expenses in the consolidated income statement.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of revised IAS 19 *Employee Benefits* ("IAS 19R"), with the assistance

2 Significant accounting policies (Continued)

of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turnover of beneficiaries, salary increases, projected life expectancy, the probable future length of employees' service and an appropriate discount rate updated annually.

The remeasurement of the liability related to defined-benefit plans due to changes in actuarial assumptions is recognised in other comprehensive income.

2.22 Share-based payments

The Group has granted options that will be settled as equity instruments. In accordance with IFRS 2, the benefit granted to employees under stock option plans, assessed at the time the option is granted, is additional remuneration.

Plans granting instruments settled as equity instruments are measured at the grant date based on the fair value of the equity instruments granted. They are recognised on a straight-line basis as personnel expenses over the vesting period, taking into account the Group's estimate of the number of options that will vest at the end of the period. In addition, for plans based on non-market performance conditions, the probability of achieving the performance objective is assessed each year and the expense adjusted accordingly.

The fair value of options granted is determined using the Black-Scholes valuation model, which takes into account an annual reassessment of the expected number of exercisable options. The expense recognised is adjusted accordingly.

2.23 Borrowing costs

Under IAS 23-*Borrowing Costs,* a qualifying asset is an asset that takes a substantial period of time before being used or sold. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The Group notes that it does not take a substantial amount of time to get assets ready for their intended use because of the incremental roll-out of the network. The application of IAS 23 consequently has no impact on the Group's Consolidated Financial Statements.

2.24 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the assumed proceeds from the conversion of these instruments have been used to acquire shares of the Group at the average market price for the period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3 Critical accounting judgements and key sources of uncertainty in respect of estimates

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the Group to make a certain number of estimates and assumptions that are realistic and reasonable.

In applying accounting policies during the preparation of the Consolidated Financial Statements described in Note 2, Management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

3 Critical accounting judgements and key sources of uncertainty in respect of estimates (Continued)

Such estimates are prepared based on the going concern assumption, established using currently available information and in view of the current economic environment. In the prevailing economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

Significant estimates and assumptions relate to the measurement of the following items:

- Provisions: assessment of risk on a case by case basis, with the proviso that the occurrence of events during the procedure may lead to a reassessment of the risk (Notes 26 and 34).
- Employee benefits: assumptions updated annually, such as the probability of employees remaining with the Group until retirement, the foreseeable changes in future compensation, the discount rate and the inflation rate, mortality table (Note 28).
- Revenues: identification of separable elements of a packaged offer and allocation based on relative fair value of each element; duration of deferred revenue related to service access fees depending on the nature of the product and the duration of the contract; presentation of the net or gross income, depending on whether the Group is acting as principal or agent (Notes 2.3 and 8).
- Fair value of financial instruments: fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted future cash flows (Note 31).
- Deferred taxes: estimates for the recognition of deferred tax assets updated annually such as the future tax results of the Group or the likely changes in active and passive temporary differences (Note 13).
- Impairment tests: Goodwill and intangible assets with indefinite useful lives: assumptions updated annually, as part of impairment tests for the determination of the cash generating units (CGU) of future cash flows and discount rates (Note 17).
- Property, plant and equipment and intangible assets: estimate of the useful life based in particular on the effective obsolescence of property, plant and equipment and the use made thereof (Notes 2.11, 2.12, 15 and 16).

4 Highlights of the year ended 31 December 2014

4.1 Acquisition of SFR

On 5 April 2014, the Supervisory Board of the Vivendi Group accepted the offer from Altice, the Group's majority shareholder, to purchase its subsidiary SFR, along with that company's own subsidiaries.

On 20 June 2014, Vivendi, Altice and Numericable signed the final merger agreement between SFR and Numericable-SFR which emerged from discussions with the representative bodies of the personnel concerned.

After obtaining the approval of the European competition authority on 26 October 2014, the acquisition was completed on 27 November 2014.

The acquisition price for SFR represents an estimated total amount at the acquisition date of 17.1 billion euros, including 13.2 billion euros in cash (See also Note 37—*Subsequent events*).

4 Highlights of the year ended 31 December 2014 (Continued)

This acquisition was financed through (i) the arrangement of 11.7 billion euros in new funding in May 2014 (see Note 4.3) and (ii) the completion of a capital increase of 4.7 billion euros on 28 October 2014 (see Note 4.4).

See also Note 6—*Changes in scope*.

4.2 Acquisition of Virgin Mobile

On 16 May 2014, the Group entered into exclusive negotiations with Omer Telecom for the acquisition of Virgin Mobile.

The Group announced on 27 June 2014 that it had signed with the shareholders of the Group's holding company operating in France as Virgin Mobile, Omer Telecom Limited, the final purchase agreement for the entirety of the capital of Omer Telecom Limited after consulting with the representative bodies of the personnel concerned.

The acquisition was completed on 4 December 2014 after obtaining approval from the competition authority.

The acquisition price for Virgin represented an overall total of 295 million euros.

Vivendi invested 200 million euros to finance the acquisition. This amount was deducted from SFR's purchase price.

See also Note 6—*Changes in scope*.

4.3 Financing the acquisition of SFR and refinancing the existing debt

To finance the acquisition of SFR, in May 2014 the Group raised the equivalent of 11,653 million euros through bond issues (equivalent to 7,873 million euros) and the arrangement of new bank loans (equivalent to 3,780 million euros), both in euros and in dollars—see Note 24—*Financial liabilities*.

Of the money raised through these new borrowings, 2,750 million euros were used by the Group to:

- repay the full amount of Group's former senior debt of 2,638 million euros;
- pay the early redemption fee on bonds for 89 million euros;
- pay a portion of the costs for arranging new financing.

The repayment of the Group's former Senior Debt has been analysed as an extinguishment of existing debt. Accordingly:

- the costs of extinguishing bond debt incurred by the Group were recognised in other financial expenses for 89 million euros;
- the costs relating to the extinguishment of debt which were originally recorded at amortised cost, were recognised in other financial expenses in the amount of 22 million euros;

In addition, on 21 May 2014, the Group signed a new *Revolving Credit Facility* (RCF) for a maximum amount of 750 million euros, of which 300 million euros were available immediately and the balance of which was available after the completion of the SFR acquisition. As of 31 December 2014, this credit line was undrawn.

The costs associated with the arrangement of bond debt, bank loans and the RCF, or 250 million euros in total, were recognised at amortised cost using the effective interest rate method in accordance with IAS 39, and are thus spread over the maturity of the debt.

4.4 Capital increases

Numericable-SFR carried out several capital increases during the year:

- The Board of Directors meeting of 28 October 2014 voted to increase the share capital through a public offering for a total amount of 4,733 million euros (including 266 million euros in new share

4 Highlights of the year ended 31 December 2014 (Continued)

issues and 4,467 million euros in additional paid-in capital); The costs incurred in connection with the capital increase were fully charged to additional paid-in capital in a total amount of 13 million euros.

– On 27 November 2014, as part of the completion of the SFR acquisition, Numericable-SFR carried out a capital increase of 2,376 million euros (97 million euros in capital, 2,278 million euros in additional paid-in capital) in consideration for the in-kind contribution by Vivendi of SFR securities. Following these transactions, Vivendi now holds a 20% stake in Numericable-SFR.
– On 30 December 2014, Numericable-SFR carried out a 0.5 million euro capital increase through an employee share offering.

Following these transactions, the Company's share capital amounted to 487 million euros, and additional paid-in capital to 8,842 million euros.

See also Note 23.1 for changes in the share capital of Numericable-SFR during the year.

4.5 Derivative instruments and hedge accounting

In May 2014, in parallel with the various debt drawdowns mentioned above, Numericable-SFR set up several derivative instruments for the purpose of neutralising foreign exchange risk on its future financial flows (nominal and coupons).

See Note 25.

4.6 Liquidity contract signed with Exane BNP Paribas

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris. An initial liquidity account of 3 million euros (raised to 12 million euros at year-end 2014) was thus opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract. As of 31 December 2014, the Group held 25,808 treasury shares.

4.7 Granting of new stock option plans

On 10 January, 28 May and 27 November 2014, the Board of Directors adopted three new stock option allocation plans, respectively benefiting certain officers of Numericable-SFR and Group employees.

See Note 27.

4.8 Deferred tax assets on loss carryforwards

Given (i) the establishment in the first half of 2014 of a new tax consolidation group at Numericable-SFR (formed by Numericable-SFR as the Group's head, as well as companies from the two former tax consolidation groups Ypso France and Altice B2B France, which have opted to apply the expanded tax base mechanism), and (ii) the acquisition of SFR, which will join the said tax consolidation group as from 1st January 2015, at 31 December, 2014 the Group activated an additional deferred tax asset of 298 million euros based on updated forecasts of use of loss carryforwards and probable losses over a 5-year horizon.

See also Note 13.

4.9 Tax audits

Ypso France and its subsidiaries:

In June 2014, the Group received tax audit notices for fiscal years 2010, 2011 and 2012 for the companies NC Numericable, Numericable and Est Vidéocommunication and for fiscal year 2014 for the company Ypso France.

4 Highlights of the year ended 31 December 2014 (Continued)

In late 2014, the audits for 2010 and 2011 led to proposed adjustments totalling 20.5 million euros, which were fully provisioned as of 31 December 2014 (mainly VAT).

SFR/Vivendi Telecom International:

In the context of the tax audits for fiscal years 2009 and 2010, a sum of 6 million euros was maintained at the year end mainly to cover an adjustment on research tax credits generated by the company in those years.

On 12 December 2011, SFR was merged into the company Vivendi Telecom International, which was renamed SFR, a fully consolidated subsidiary of Vivendi as of 2011. Following the SFR accounting audit for the 2011 fiscal year, the French tax administration intends to challenge the conditions of completion of this merger, as well as the benefit of foreign tax credits. A proposed adjustment was handed down to the company showing an additional corporate tax assessment of 711 million euros and penalties and default interest of 663 million euros.

A single provision in the amount of 8.4 million euros had been allocated in 2011 for this audit to cover the proposed adjustments to the foreign tax credit—which are also being challenged by the company. The company believes it is well-founded in the law to defend the positions used to determine the 2011 tax result as part of the merger subject to the additional assessment.

See also Note 35.

5 Highlights for the year ended 31 December 2013

5.1 Constitution of Numericable-SFR

Numericable-SFR was established in July 2013 by way of cash contributions in an initial amount of 37 thousand euros.

On 7 November 2013, Numericable SFR received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

The contributions of Ypso and Altice B2B to Numericable SFR increased the capital of the Company by a total of 1,995 million euros, comprised of a 113 million euro increase in share capital and a 1,882 thousand euro increase in additional paid-in capital.

Moreover, during the restructuring of the Group's debt in 2009, during which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates ("Super PECs") with a nominal value of 1 euro each, the interest on which was capitalised.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on 7 November 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Consecutively, the expense related to the settlement of the debt ("Premium") was recognised as financial expense in the amount of 81.6 million euros. This charge had no impact on the Group's cash position.

5.2 IPO and capital increases

On 25 October 2013, the Board of Directors of Numericable-SFR decided in principle to undertake an initial public offering of the Company on NYSE Euronext Paris.

On 7 November 2013, the Board of Directors:

– priced the IPO at 24.80 euros per share;

5 Highlights for the year ended 31 December 2013 (Continued)

- decided to increase share capital by a total amount of 250 million euros through a public offering (including a 10 million euro capital increase through the issuance of new shares and 240 million euros in additional paid-in capital);
- proposed a capital increase reserved for employees that was ultimately carried out for one million euros.

Trading on the shares began on 8 November 2013.

The costs incurred in connection with the IPO were fully charged to additional paid-in capital in a total amount of 15 million euros.

5.3 Granting of stock option plans

On 7 November 2013, the Board of Directors also adopted a stock option plan in favour of certain officers and employees of Numericable Group.

This plan covers a total of 2,845,229 options for 2,845,229 shares.

5.4 Acquisition of Valvision

On 27 June 2013, the Group acquired 100% of the share capital of Valvision, a cable operator in eastern France.

The difference between the acquisition price (3,340 thousand euros) and the share of equity acquired (219 thousand euros), representing the acquired customer base, was 3,121 thousand euros. It was fully allocated to "Other intangible assets" and will be amortised over a period of three years.

No additional payment is provided for under the acquisition agreement.

5.5 Acquisition of LTI Telecom

On 31 October 2013, the Group acquired 100% of the shares of Invescom, a holding company that owns 100% of LTI, a B2B telecom operator.

The acquisition price amounted to 25.5 million euros for a share of equity acquired of 0.6 million euros. No additional payment is provided for under the acquisition agreement.

The allocation of the purchase price of the identifiable assets acquired and liabilities assumed was finalised in 2014.

5.6 Refinancing of Senior Debt

Amendments in July-August 2013

In July and August 2013, the Group amended its Senior Facility Agreements, allowing a large portion of its debt to be rescheduled. This renegotiation also led to a change in certain contractual conditions, including the margin applicable to the Senior Facility Agreement of Altice B2B.

This renegotiation of the Senior Facility Agreements is a simple modification of existing debt. As such, the costs stemming from the renegotiation (6.2 million euros) have been measured at amortised cost in accordance with the effective interest method pursuant to IAS 39.

Refinancing in December 2013

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by 31 December 2018 and bears interest at Euribor plus a margin of 3.75% .

5 Highlights for the year ended 31 December 2013 (Continued)

The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debt, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;
- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the 225 million euro bond issue (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros);

  part of the 360 million euro bond issue (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros).

The renegotiation of Senior Debt represents the settlement of existing debt. Accordingly:

- the Premium, or the expenses borne by the Group to extinguish the bond debt was recognised in other financial expenses in the amount of 28.0 millions euros;
- costs relating to the implementation of the settled debt in December 2013, which were originally recorded at amortised cost, have been recognised in other financial expenses in the amount of 15.2 million euros;
- costs relating to the implementation of the new Tranche D (7.25 million euros) have been recognised at amortised cost using the effective interest method in accordance with IAS 39.

5.7 Deferred tax assets

In the year ended 31 December 2013, the Group recognised deferred tax assets in a total amount of 133 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

5.8 In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On 17 July 2013 the European Commission signalled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was consistent with European Union State aid rules. The European Commission expressed doubts as to the compatibility of such aid with EU rules because of the economic advantage conferred on Numericable by virtue of the conditions of the transfer.

As the Group disputes this position, and as the potential risk relating to this investigation cannot be measured reliably, no provision was recorded in the financial statements as of 31 December 2013 or 2014.

5.9 Leaseback of modems

In May 2013 and June 2013, the Group entered into two sale and *leaseback* contracts with Lease Expansion, in respective amounts of 12.7 million euros and 5.9 million euros for new modems known as “La Box”.

The term of the lease is three years for each contract.

5.10 Tax audits

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on 19 December

5 Highlights for the year ended 31 December 2013 (Continued)

2013. The adjustments stem exclusively from the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totalling 11.4 million euros was recorded as of 31 December 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

5.11 Lehman Brothers compensation

The Group received two further payments of 4.5 million euros and 2.6 million euros in June 2013 and December 2013, respectively, as part of its claim following the bankruptcy of Lehman Brothers in September 2008.

5.12 Cancellation of the 5 million euro fine imposed by ARCEP

In July 2013, the Constitutional Court ruled that the power to sanction held by the Regulatory Authority on Electronic Communications and Postal Services (Autorité de régulation des communications électroniques et des postes (ARCEP)) did not meet the principles of independence and impartiality required by the French constitution.

On 21 October 2013, the Group obtained the cancellation by the Council of State of the penalty imposed by ARCEP on 20 December 2011, which had ordered Numericable and NC Numericable to pay a fine of 5 million euros for non-compliance with the ARCEP decision of 4 November 2010.

The Group recorded the proceeds relating to the annulment of the fine in the 2013 financial statements under “Other operating income”.

5.13 Litigation with Free

On 13 December 2013, the Commercial Court of Paris ordered the Group to pay 6 million euros to Free in the context of a dispute over an advertising campaign run by Numericable which Free claimed harmed its brand and its image.

This judgement was fully provisioned by the Group in the 2013 consolidated financial statements and payment made in early January 2014.

6 Changes in scope

The purpose of this note is to provide further details on the acquisitions of SFR and Virgin Mobile during the year (amounts in millions of euros):

SUBGROUP ACQUIRED	SFR	VIRGIN	TOTAL
Acquisition date	27 November	4 December	
Percentage of voting rights acquired	**99.99%[a]**	**100%**	
Consideration paid at the acquisition date	**17,132**	**295**	
Of which cash[b]	*13,166*	*295*	
Of which issues of Numericable-SFR shares[c]	*3,282*	—	
Of which potential price supplement[d]	*684*	—	

Identifiable assets acquired	SFR	VIRGIN	TOTAL
Other intangible assets	3,721	27	3,748
Property, plant and equipment	4,440	9	4,449
Investments in associates	128	—	128
Other non-current financial assets	132	—	132
Deferred tax assets	140	25	165
Non-current assets acquired	**8,560**	**61**	**8,621**
Inventories	335	5	340
Trade and other receivables	2,579	65	2,644
Other current financial assets	—	—	—
Income tax receivable	9	1	10
Cash and cash equivalents	247	7	254
Assets classified as held for sale	—	—	—
Current assets acquired	**3,171**	**77**	**3,248**
IDENTIFIABLE ASSETS ACQUIRED	**11,731**	**138**	**11,869**

Identifiable liabilities assumed	SFR	VIRGIN	TOTAL
Non-current financial liabilities	48	16	64
Non-current provisions	195	9	204
Deferred tax liabilities	2	—	2
Other non-current liabilities	510	—	510
Non-current liabilities assumed	**755**	**25**	**780**
Current financial liabilities	4	—	4
Current provisions	340	—	340
Trade payables and other current liabilities	4,561	130	4,691
Current income tax liabilities	83	—	83
Liabilities classified as held for sale	—	—	—
Current liabilities assumed	**4,988**	**130**	**5,118**
IDENTIFIABLE LIABILITIES ASSUMED	**5,743**	**155**	**5,898**

	SFR	VIRGIN	TOTAL
Provisional goodwill[e]	**11,145**	**312**	**11,457**

The large amounts of goodwill generated are mainly the result of:

– the significant synergies expected from these mergers (complementary networks, streamlining of costs, synergies in investments);

– the significant property, plant and equipment (telecommunication network, distribution network) and intangible assets (SFR/Virgin trademarks, licenses, customer bases) acquired.

6 Changes in scope (Continued)

As explained below these items will be measured as part of the Group's purchase price accounting (PPA) exercise in 2015.

Contribution of acquired entities	SFR	VIRGIN	TOTAL
To revenue in 2014	835	28	863
To net income in 2014	(34)	(8)	(42)
To pro forma revenue in 2014	9,903	369	10,272
To pro forma net income in 2014	251	(4)	247

	SFR	VIRGIN	TOTAL
Acquisition-related costs included in the income statement in 2014	49	12	61

Commitments made in connection with the acquisitions

The main commitments made as part of the of SFR acquisition are described in Note 33.2.

(a) Numericable acquired all shares of SIG 50, and all shares of SFR SA, for a total of 225,214,842 shares, less 10 shares.

(b) The net amount of 200 million euros corresponding to Vivendi's investment in funding the Virgin Mobile acquisition. Numericable has challenged the contractual price adjustment to 225 million euros (based on the level of net debt at 31 October 2014). See also Note 37—*Subsequent events*.

(c) In consideration of the contribution of SFR shares made by Vivendi, the latter obtained a 20% stake in the new Numericable-SFR group. Vivendi has the option to sell this interest to Altice after a one-year lock-up period. In accordance with the revised IFRS, these shares were measured at their fair value at the date of issue, i.e., on the basis of the opening market price on 27 November 2014.

(d) Discounted fair value at 31 December 2014 of the potential 750 million euro price supplement to Vivendi as part of the SFR acquisition deal. As a reminder, this amount will be due to Vivendi once the aggregate "Ebitda—Capex" for the newly formed group reaches 2 billion euros during any of the fiscal years ending between now and 31 December 2024. See also Note 37—*Subsequent events*.

(e) In accordance with IFRS 3—*Business Combinations*, the acquisitions of SFR and Virgin Mobile are recognised as business combinations. The identifiable assets acquired and liabilities assumed will be measured at fair value at the acquisition date Given the timing of the acquisitions' completion, the consolidated financial statements as of 31 December 2014 were prepared using pro forma data for certain assets acquired and liabilities assumed on which the purchase price accounting (PPA) exercise has not been completed.

Accordingly, as of 31 December 2014, any difference between (a) the consideration transferred, measured in accordance with IFRS 3, and (b) the amount of the identifiable assets at the acquisition date less the liabilities assumed has been allocated to goodwill.

The final allocations will be made on the basis of certain measurements and other analyses done by outside specialists. Consequently, the amount of goodwill is provisional and will be subject to revision within 12 months of the acquisition based on the final measurement of the fair value of the assets acquired and the liabilities assumed.

Measuring the fair value of assets acquired and the liabilities assumed will lead to the recognition of certain identifiable assets such as licenses, brands and customer bases that will have a limited life and be amortised. Therefore, future operating results may be significantly affected by impairment charges related to these identifiable assets acquired.

7 Segment information

As stated in Note 2.6, the Group has three operating segments:

- B2B Operations
- B2C Operations
- Wholesale

Given the dates of the acquisitions of SFR and Virgin Mobile so close to the fiscal year end, the Group is not yet able to provide segment information in line with IFRS 8 for 2014. This is due to difficulties related to modifications of the acquiree's IT systems needed to produce this information within the time frames required for the Group's fiscal year close and release of its consolidated financial statements.

7 Segment information (Continued)

In addition, changing the presentation from the traditional format was determined to be inappropriate given the highly material nature of the year's acquisitions and the Group's commitment to maintaining segment information based on three segments—B2C, B2B and Wholesale—which remain representative of the Group's operational and financial management.

As a result, only the breakdown of consolidated revenue by business segment is reported in the table below for the 2014 fiscal year, as the information relating to operating income, investments and assets for each of the three sectors is not available.

The Group will report the segment information required under IFRS 8 in the 2015 interim financial statements and will also present comparative information in respect of 2014.

Intra-segment sales have been eliminated under the column "Eliminations".

Revenues	2014	2013
	(in millions of euros)	
B2C	1,414	779
B2B	468	313
Wholesale	396	291
Eliminations	(108)	(69)
Total	**2,170**	**1,314**

See Note 8 below for details of the revenue contribution by segment.

8 Revenues

Consolidated revenues break down by segment as follows:

	2014	2013
	(in millions of euros)	
B2B revenue	1,409	774
B2B revenue	464	310
Wholesale revenues	297	230
Total revenues	**2,170**	**1,314**

All revenues are generated in France.

9 Personnel expenses and average headcount

Personnel expenses break down as follows:

	2014	2013
	(In millions of euros, except for headcount)	
Average annual headcount[(a)]	**3,349**	**2,053**
Wages and salaries	(184)	(100)
Social security charges	(73)	(46)
Employee profit-sharing	4	(5)
Costs related to stock option plans[(b)]	(9)	(4)
Personnel expenses	**(261)**	**(155)**

(a) Full-time equivalent.

(b) Includes 4 million euros in employer matching contributions due on the allocation of shares and 5 million euros for the cost of the plans recognised in 2014 (see Note 4.7).

10 Other operating income

Other operating income breaks down as follows:

	2014	2013
	(in millions of euros)	
Capitalised production[(a)]	89	76
Proceeds from sale of assets	8	5
Other[(b)]	1	5
Other operating income	**98**	**86**

(a) Capitalised production relates to work on the network performed by employees of the Group to further upgrade the cable network.

(b) In 2013, this item included the payment of the 5 million euro fine imposed by ARCEP in 2012.

11 Other operating expenses

Other operating expenses break down as follows:

	2014	2013
	(in millions of euros)	
Net carrying amount of assets sold	(24)	(15)
Fees paid in connection with refinancing	(1)	(5)
Management fees paid to shareholders	—	(1)
Miscellaneous operating expenses	(6)	—
Other operating expenses	**(32)**	**(20)**

12 Financial result

The gross cost of debt (439 million euros in 2014 versus 185 million euros in 2013) reflects the interest expense on borrowings and derivative instruments, excluding the impact of expenses amortised using the effective interest rate method, excluding currency effects on financial liabilities, and excluding the fair value of hedging instruments.

The gross cost of debt is reported directly in the income statement, and thus financial income and other financial expenses are detailed below:

	2014	2013
	(in millions of euros)	
Interest income on cash[(a)]	5	—
Claim against Lehman Brothers[(b)]	1	7
Reversals of provisions for financial risks	1	2
Miscellaneous	8	1
Financial income	**15**	**10**
Debt settlement expenses in connection with refinancing[(c)]	(89)	(117)
Foreign exchange difference on debt in USD[(e)]	(1,064)	—
Fair value of swaps[(e)]	1,047	—
Costs amortised using the effective interest rate method[(d)]	(54)	(23)
Default interest	(7)	(4)
Provisions for financial risks	(7)	(1)
Miscellaneous	(2)	(4)
Other financial expenses	**(176)**	**(149)**

(a) Interest income received on the financing raised in May 2014 as part of the SFR acquisition and placed in escrow until the completion of the acquisition in November 2014.

12 Financial result (Continued)

(b) Payments received in connection with the Group's claim following the bankruptcy of Lehman Brothers in September 2008 totalling 0.8 million euros in 2014 and 7 million euros in 2013. Part of the Group's financial debt was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. The Group had filed a claim with Lehman Brothers for approximately 11.2 million euros. To date, the Group has recovered a total of 10.7 million on the amount claimed.

(c) Premiums paid in connection with early bond redemptions. In 2013, they included the costs of extinguishing Super PECs (shareholder debt) amounting to 81 million euros (with no cash impact for the Group to the extent that debt was extinguished by issuing shares under the IPO—see Note 5.1).

(d) For fiscal year 2014, this includes 22 million euros for the unamortised portion of expenses related to the debt extinguished in May 2014.

(e) Foreign currency differences (1,064 million euros) are offset by the remeasurement of derivatives totalling 1,047 million euros. The difference mainly reflects the interest rate impact on cross currency swaps not classified as hedges and the ineffectiveness of existing hedging relationships at 31 December 2014.

13 Income tax expense

13.1 Income tax expense breaks down as follows:

	2014	2013
	(in millions of euros)	
Tax expense/income		
Current	41	—
Deferred	271	133
Income taxes in the income statement	**313**	**133**

13.2 Tax proof

	2014	2013
	(in millions of euros)	
Net income (loss)	**(175)**	**65**
Neutralisation:		
Income tax expense (income)[c]	313	133
Share in net income (loss) of associates	4	(0)
Net income (loss) from discontinued operations	—	—
Pre-tax operating income	**(491)**	**(68)**
Statutory tax rate in France	38%	38%
Theoretical tax[c]	**187**	**26**
Reconciliation between the theoretical tax rate and the effective tax rate:		
Effects of permanent differences[a]	(47)	(26)
Tax credits/tax assessments	(5)	1
Use of previously unrecognised deferred tax assets[c]	178	133
Income tax expense (income)	**313**	**133**
Effective tax rate[b][c]	**63.7%**	**196.4%**

(a) consists primarily of interest expense not deductible under thin capitalisation rules and limits on financial expense (41 million euros in 2014, compared with 15 million euros in 2013).

(b) The effective tax rate is higher than the statutory rate in 2013 and 2014 due to tax losses used in both years.

(c) The Group recognised net tax income in 2013 and 2014 due to tax losses used in both years. As a result, the theoretical tax calculated on income from continuing operations and the effective tax rate show a tax expense (tax income).

13 Income tax expense (Continued)

13.3 Change in deferred taxes by type

The change in deferred taxes for the year is broken down in the following table according to the deferred tax basis:

	31 December 2013	IFRS 3R	Income statement	Other	31 December 2014
		(in millions of euros)			
Gross deferred tax assets					
Tax losses[a]	876	93	193	—	1,162
Derivative instruments	—	—	6	64	71
Provisions for risks and charges	16	79	(12)	—	82
Property, plant and equipment and intangible assets	170	118	(33)	—	255
Other	26	67	2	—	96
Offsetting[b]	(32)	(107)	—	(61)	(200)
Gross deferred tax assets	**1,056**	**251**	**266**	**3**	**1,466**
Unrecognised tax assets					
Tax losses	(744)	(65)	106	—	(703)
Temporary differences	(180)	(20)	72	—	(128)
Deferred tax assets, net	**133**	**165**	**273**	**3**	**634**
Deferred tax liabilities					
Property, plant and equipment and intangible assets	19	60	(9)	—	70
Other	14	49	69	41[c]	173
Offsetting[b]	(32)	(107)	—	(61)	(200)
Deferred tax liabilities	**—**	**2**	**(76)**	**(21)**	**43**
Net deferred tax assets (liabilities)	**133**	**163**	**271**	**24**	**591**

(a) As explained in Note 4.8, on 31 December 2014 the Group activated an additional deferred tax asset of 298 million euros based on updated projections of the use of deferrable probable losses over a five-year period taking into account (i) the establishment up of a new tax consolidation system at Numericable SFR in the first half of 2014 and (ii) the acquisition of SFR which will include that tax consolidation starting in 2015.

It should be noted that the majority of all losses are indefinitely deferrable.

(b) In accordance with IAS 12, the deferred tax assets and liabilities of a given tax group may be offset against each other provided they all relate to income tax levied by the same tax authority; the Group has a legally enforceable right to offset tax assets and liabilities.

(c) Corresponds to the deferred tax on updating any price supplement payable to Vivendi.

13.4 Tax receivables

At year-end, tax receivables corresponded mainly to the corporation income tax instalments paid by SFR in 2014.

14 Goodwill

	2014	2013
	(in millions of euros)	
Net carrying amount		
Balance at beginning of year	1,484	1,459
Increases[(a)]	11,457	25
Reductions[(b)]	(5)	—
Balance at end of year[(c)]	**12,935**	**1,484**

(a) Provisional goodwill recognised at 2014-end in the acquisitions of SFR and Virgin Mobile; see also Note 5.

(b) In 2013, provisional goodwill of 25 million euros had been recognised, which was directly linked to the acquisition of LTI Telecom. The allocation of goodwill was finalised and reflected a 5 million euro reduction in goodwill.

(c) Goodwill may be broken down as follows:

Net carrying amount	2014	2013
	(in millions of euros)	
B2C Operations	985	985
B2B Operations	494	499
Provisional goodwill SFR and Virgin	11,457	—
Total	**12,935**	**1,484**

15 Other intangible assets

Intangible assets by type:

The following is a breakdown of intangible assets by type:

	2014			2013		
	Gross	Dep. & impairment	Net	Gross	Dep. & impairment	Net
	(in millions of euros)					
Capitalised development costs	7	(6)	1	7	(5)	2
Usage rights, patents, licences[(a)]	3,956	(492)	3,465	784	(497)	287
Commercial rights, customer bases[(b)]	121	(37)	83	44	(37)	7
Other intangible assets[(c)]	711	(64)	648	47	(36)	11
	4,795	**(599)**	**4,196**	**882**	**(575)**	**307**

(a) Includes (i) rights to use cable infrastructure and civil engineering facilities built by the historic operator France Telecom and (ii) licences acquired by SFR, among which:

- the UMTS licence for 619 million euros (acquired in 2001 for supplying third-generation mobile telephony services in France) and the new frequencies acquired in June 2010 for 300 million euros, amortisable over a 20-year period;
- the GSM licence for 278 million euros. In March 2006, the Government granted SFR S.A. the right to operate this licence for 15 years. The licence is recognised at its actuarial value;
- the LTE licence acquired for 150 million euros in October 2011 as part of the allocation of 4G frequencies in the 2.6 GHz band, and acquired for 1,065 million euros in January 2012 as part of the allocation of 4G frequencies in the 800 MHz band.

(b) Includes in particular:

- The Neuf Gegetel subscriber base as valued at the acquisition of Neuf Cegetel by SFR for a net value of 66 million euros at 31 December 2014[1];
- the FrNet2 subscriber base as valued at the acquisition of FrNet2 by SFR.

1 Additionnal Note to the consolidated financial statements as aproved on March 4, 2015 :
The Neuf Gegetel subscriber base, which has been amortized for €66 million in the pro forma income statement as disclosed in Note 38, has a net book value of €19 million as at December 31, 2014 and will be fully amortized in 2015.

15 Other intangible assets (Continued)

The value of these subscriber bases will be reviewed as part of the Purchase Price Accounting (PPA) of the acquisition of SFR.

(c) Includes mainly concession arrangements (IFRIC 12), rights of way and service access fees.

Change in net intangible assets:

The following is a breakdown of the change in intangible assets:

	2014	2013
	(in millions of euros)	
Balance at start of period	**307**	**326**
Amortisation and impairment	(96)	(91)
Acquisitions/Increases	158	69
Disposals	(10)	—
Changes in scope	3,748	4
Other	89	—
Balance at end of period	**4,196**	**307**

Breakdown of net amortisation charges and impairment:

The following is a breakdown of amortisation and impairment:

	2014	2013
	(in millions of euros)	
Capitalised development costs	(2)	(2)
Usage rights, patents, licences	(69)	(83)
Commercial rights, customer bases	(0)	(2)
Other	(26)	(5)
	(96)	**(91)**

16 Property, plant and equipment

Property, plant and equipment by type:

The following is a breakdown of property, plant and equipment by type:

	2014			2013		
	Gross	Dep. & impairment	Net	Gross	Dep. & impairment	Net
	(in millions of euros)					
Land	85	(1)	84	1	—	1
Buildings	1,482	(134)	1,348	144	(118)	26
Technical facilities	5,196	(1,829)	3,367	2,828	(1,504)	1,324
Assets in progress	346	(6)	340	109	(9)	100
Other	897	(138)	758	110	(97)	13
	8,006	**(2,109)**	**5,897**	**3,192**	**(1,727)**	**1,465**

Buildings mainly consist of technical website hosting, constructed buildings and their respective amenities.

Technical facilities include mainly network and transmission equipment.

PPE in progress includes mainly network equipment and infrastructure.

16 Property, plant and equipment (Continued)

Change in net property, plant and equipment:

The following is a breakdown of the change in property, plant and equipment:

	2014	2013
	(in millions of euros)	
Balance at start of period	**1,465**	**1,390**
Depreciation and impairment	(365)	(213)
Acquisitions/Increases	444	299
Disposals	(25)	(16)
Changes in scope	4,449	4
Other	(70)	—
Balance at end of period	**5,897**	**1,465**

Breakdown of net depreciation charges and impairment:

The following is a breakdown of depreciation and impairment:

	2014	2013
	(in millions of euros)	
Buildings	(15)	(4)
Technical facilities	(309)	(198)
Work in progress	2	—
Other property, plant & equipment	(43)	(11)
	(365)	**(213)**

Property, plant and equipment financed by finance leases:

The carrying amount of assets classified as finance leases breaks down as follows:

	2014[2]	2013
	(in millions of euros)	
Land	6	1
Buildings	96	7
Network and technical equipment	238	53
Other	18	—
	358	**61**

17 Impairment testing

As the acquisitions of SFR and Virgin Mobile were not completed until the very end of 2014, the impairment tests described in this Note relate to the Group's "historic" goodwill, based on its value in use, measured the same way as in previous years based on projected future discounted cash flow from cash generating units (CGUs) as defined by the Group in the past (see Note 17.1 below).

The impairment test on the acquisitions of SFR and Virgin Mobile was based on measurement at fair value minus cost of sale. However, as the Group regarded the acquisition price of SFR and Virgin Mobile as representing its fair value, no impairment recognition was necessary on those two provisional goodwills at period-end.

2 Additional Note to the consolidated financial statements as approved on March 4, 2015 :
The values indicated in the 2014 column correspond to Gross values. Net book values as at December 31, 2014 are respectively €6 million for Land, €37 million for Buildings, €65 million for Network and technical equipment and €4 million for the caption « Other », i.e. a total net book value of €113 million at the end of 2014.

17 Impairment testing (Continued)

Taking into account the completion date of acquisitions, the consolidated financial statements as at 31 December 2014 were prepared using the provisional amounts for certain assets acquired and liabilities assumed for which the PPA process was not able to be completed before period-end. Final allocations will be based on certain evaluations and other studies carried out by external specialists. Consequently, the goodwill in the acquisitions of SFR and Virgin Mobile is provisional and will be reviewed based on the final evaluation of the fair value of the assets acquired and liabilities assumed. The Group knows of no events since the acquisition dates that would indicate that the acquired assets had lost value since their acquisition.

The Group's CGUs will also be reviewed in the context of the PPA process to be conducted in 2015.

17.1 Allocation of goodwill between the various CGUs

In accordance with IAS 36—*Impairment of Assets* ("**IAS 36**"), goodwill is split between two CGUs, "B2C Activities" and "B2B Activities", with the exception of provisional goodwill in the acquisitions of SFR and Virgin Mobile which, for the reasons explained above, were not yet allocated to the various CGUs.

17.2 Key assumptions used to determine the recoverable amount of the CGUs

Impairment testing of goodwill is done within the cash-generating units defined above. In accordance with IAS 36—Impairment of Assets, impairment testing is performed by comparing the carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow model.

The determination of the value in use is established using cash flow projections based on financial budgets approved by senior management covering a planning period of five years.

Projections of subscribers, revenues, costs and capital expenditure are based on reasonable and acceptable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of expenditure on network infrastructure upgrades. The projections are based on both past experience and the expected future market penetration of the various products.

As mentioned in Note 3, the determination of the value in use is based on assumptions such as the discount rate and the growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such the recognition of an impairment loss.

The determination of the value in use is based on the following estimates as of 31 December 2014 and 2013:

CGU "B2C Operations"	2014	2013
Length of forecast period	5 years	5 years
Discount rate applied to cash flow projections	6.93%	7.30%
Perpetual growth rate used to calculate terminal value	1.00%	2.00%

In terms of the sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately 133 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 104 million euros.

As at 31 December 2014, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in discount rate from 6.93% to 8.41%;
- Reduction in the perpetual growth rate from 1.00% to -1.03%;

17 Impairment testing (Continued)

- Reduction in gross margin (calculated based on internal reporting) from an average of 50.3% to an average of 45.6% over the five-year period.

CGU "B2B Operations"	2014	2013
Length of forecast period	5 years	5 years
Discount rate applied to cash flow projections	7.04%	7.14%
Growth rate beyond projection period for terminal value	1.00%	2.00%

In terms of the sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately 69 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 55 million euros.

As at 31 December 2014, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in discount rate from 7.04% to 12.39%;
- Reduction in the perpetual growth rate from 1.00% to -7.87%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 40.8% to an average of 33.1% over the five-year period.

18 Equity associates

Changes in the period were as follows:

	(in millions of euros)
Balance as at 31 December 2013	**3**
Changes in scope	128
Income statement	4
Other	(5)
Balance as at 31 December 2014	**130**

18.1 Main interests in equity associates

	2014	2013
	(in millions of euros)	
Numergy[(a)]	79	—
La Poste Telecom[(b)]	—	—
Other associates	23	3
Associates	**102**	**3**
Synerail[(c)]	—	—
Foncière Rimbaud[(d)]	28	—
Joint ventures	**28**	**—**
Total interests in equity associates	**130**	**3**

The main equity interests relate to the sub-group SFR acquired in November 2014:

(a) SFR, Bull and Caisse des Dépôts created the company Numergy in 2012 (46.7%-owned by the Group). This company offers IT infrastructure capable of hosting data and applications, accessible remotely as a secure service known as "cloud computing" services. The Group's share amounting to 105 million euros was only 25% paid up. The debt for the part not paid up is recognised under liabilities in the amount of 79 million euros (see Note 29—Other non-current liabilities). The value of the securities was reduced to the amount of capital not paid up, i.e., 79 million euros at 2014- end.

18 Equity associates (Continued)

(b) SFR and La Poste created La Poste Telecom in 2011, of which they own 49% and 51%, respectively. This subsidiary is a virtual mobile operator in the retail mobile telephony market under the trademark La Poste Mobile. The negative value of the equity interests in La Poste Telecom was adjusted to zero by offsetting against provisions totalling 16.9 million euros at 2014-end.

(c) On 18 February 2010, a group made up of SFR, Vinci and AXA (30% each) and TDF (10%) signed a GSM-R public-private partnership contract with Réseau Ferré de France. This contract, worth a total one billion euros over a 15-year term, is to finance, build, operate and maintain a digital telecommunications network to provide voice and data communication between trains and ground control teams in conference mode. It will be rolled out gradually on 14,000 km of traditional and high speed rail lines in France. The negative value of the equity interests in Senerail was adjusted to zero by offsetting against provisions totalling 9.5 million euros at 2014-end.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four subsidiaries in common which they own 50:50—Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4—as part of the construction of SFR's headquarters in Saint-Denis. This project, which may evolve over time, will be completed in two tranches with work spread out until the end of 2015. The first tranche of buildings (floor area 74,000 m^2) was completed by Foncière Rimbaud 1 and Foncière Rimbaud 2 in late 2013. The second tranche by Foncière Rimbaud 3 and Foncière Rimbaud 4 is under construction.

The percentage holdings of these main equity associates are disclosed in Note 35—List of consolidated entities.

18.2 Condensed financial information

The following tables present condensed financial information on significant equity associates:

	Numergy		La Poste Telecom		Synerail	
	2014	2013	2014	2013	2014	2013
	(in millions of euros)					
Revenues	2	1	182	147	170	153
Net income (loss)	(20)	(18)	(6)	(19)	(18)	2
Equity	184*	204	(67)	(62)	(33)	(16)
Cash & equivalents (-)/Netdebt (+)	5	(20)	56	48	435	288
Balance Sheet Total	190	208	40	36	528	344

* including subscribed capital not paid up in the amount of 79 million euros at 31 December 2014.

19 Other current and non-current financial assets

	Current		Non-current	
	2014	2013	2014	2013
Advances to equity associates	—	—	51	—
Derivatives[(a)]	1	—	911	—
Equity interests in non-consolidated entities	—	—	9	(0)
Other	7	4	78	7
Total financial assets	**8**	**4**	**1,049**	**7**

(a) See Note 25.

20 Inventories

	2014	2013
	(in millions of euros)	
Gross amount	299	51
Impairment	(43)	(1)
Inventories—net value	**256**	**50**

20 Inventories (Continued)

Inventories consist mainly of terminals (mobiles and boxes) and equipment.

Inventories of terminals include SFR inventories on consignment with distributors totalling 109 million euros in 2014 (zero in 2013).

21 Trade receivables and other receivables

	2014	2013
	(in millions of euros)	
Trade receivables (from customers)[(a)]	2,328	310
Impairment[(b)]	(475)	(33)
Trade receivables, net	**1,853**	**277**
Trade advances, instalments and receivables (from suppliers)	200	2
Tax and social security receivables	599	85
Prepaid expenses	160	32
Other receivables	(0)	7
Trade receivables and other receivables, net	**2,812**	**403**

(a) The trade receivables disclosed above are measured at amortised cost. Due to their short-term maturity, fair value and amortised cost are a proxy for the nominal amount of trade receivables.

(b) Trade receivables are provisioned (i) based on the historically observed recovery rate and/or (ii) based on a financial analysis of the customer.

The Group considers that there is no significant risk of not recovering unprovisioned receivables due.

The concentration of counterparty risk connected with trade receivables is limited as the Group's customer portfolio is highly diversified and not concentrated given the large number of customers, especially in B2C activities, with many millions of individual customers.

In B2B activities, the Group's top 20 customers account for less than 5% of its revenue.

In its operator activities, revenues are more concentrated, as its largest customers are telecommunications operators (such as Orange, Bouygues Telecom, Free Mobile, etc.) for which the risk is moderate given the balance of interconnection flows. Orange, the Group's largest operator customer, is also its largest supplier.

22 Cash and cash equivalents

Cash and cash equivalents at 31 December 2014 can be broken down as follows:

	2014	2013
	(in thousands of euros)	
Cash	117	101
Cash equivalents[(a)]	429	—
Cash and cash equivalents	**546**	**101**

(a) Consisted, at 31 December 2014, mainly of money market UCITS.

23 Equity

As at 31 December 2014, Numericable SFR's share capital, based on the number of shares issued at that date, amounted to 486,919,872 euros, comprising 486,919,872 ordinary shares with a nominal value of 1 euro each.

23 Equity (Continued)

23.1 Change in share capital

Date	Transaction	Shares issued
31 December 2013		**123,942,012**
26 October 2014	Capital increase by public offering	265,590,015
27 November 2014	Contribution of SFR securities by Vivendi	97,387,845
30 December 2014	Increase in capital reserved for employees	19,353
31 December 2014		**486,939,225**

23.2 Treasury shares

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris. A liquidity account in the initial amount of 3 million euros (increased to 12 million euros in December 2014) was opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract. As at 31 December 2014, the Group held 25,808 treasury shares. All treasury shares were cancelled in the consolidated financial statements.

23.3 Earnings per share

	2014	2013
	(in millions of euros)	
Net income used for calculating basic earnings per share	**(175)**	**65**
Impact of dilutive instruments:		
Stock option plans[(a)]	—	—
Net income used for calculating diluted earnings per share	**(175)**	**65**

The following table shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	31 December 2014	31 December 2013
	(number of shares)	
Weighted average number of ordinary shares	**181,038,305**	**115,271,326**
Impact of dilutive instruments:		
Stock option plans[(a)]	—	—
Weighted average number of shares outstanding—diluted	**181,038,305**	**115,271,326**

(a) Stock options granted as at 2014-end (8,192,998 options) are non-dilutive in view of the change in share price between the grant date and the balance sheet date, and the valuation of the plans.

23.4 Capital management and dividends

The Group manages its capital as part of a financial policy intended to ensure flexible access to capital markets, including for selective investment in development projects, and to remunerate shareholders.

The amounts available for shareholder remuneration, when in the form of dividends, are determined (i) based on distributable profits and reserves, in accordance with French standards, of the entity Numericable-SFR, the Group's parent company and (ii) restrictions in bond terms and conditions lifted in 2014 limiting the Group's capacity to pay dividends and (iii) commitments made in existing shareholder agreements.

The Group did not pay dividends to its shareholders in 2014 or 2013.

24 Financial liabilities

Financial liabilities break down as follows:

	Note	Current 2014	Current 2013	Non-current 2014	Non-current 2013	Total 2014	Total 2013
				(in millions of euros)			
Bonds	24.1	163	16	8,572	380	8,735	396
Bank borrowing	24.2	16	26	3,967	2,210	3,983	2,236
Derivative instruments		—	—	—	—	—	—
Finance lease debts		37	21	32	21	69	41
Perpetual subordinated notes ("TSDI")		—	—	40	38	40	38
Other financial liabilities	24.3	8	1	668	2	676	3
Deposits received from customers		17	—	69	52	86	52
Bank overdrafts		41	—	—	—	41	—
Total financial liabilities		**283**	**64**	**13,349**	**2,702**	**13,632**	**2,766**

24.1 Bonds

On 8 May 2014, the Group issued a series of bonds, in euros and US dollars, to partly finance the acquisition of SFR. The issuer of the bonds was Numericable SFR. These bond issues raised the equivalent of 7,873 million euros, of which the equivalent of 5,623 million euros was denominated in US dollars and 2,250 million in euros.

The bonds can be broken down as follows:

Original currency	Maturity	Coupon in foreign currency	Coupon in euros*	Original amount (millions) in foreign currency	Original amount (millions) in euros**	Outstanding at 31 December 2014 (millions) in euros***
EUR	May 2022	5.375%	5.375%	1,000	1,000	1,000
EUR	May 2024	5.625%	5.625%	1,250	1,250	1,250
USD	May 2019	4.875%	4.354%	2,400	1,736	1,982
USD	May 2022	6.000%	5.141%	4,000	2,893	3,303
USD	May 2024	6.250%	5.383%	1,375	994	1,135
				Total	**7,873**	**8,670**

* corresponds to the interest rate of hedging instruments.

** corresponding value at the exchange rate of hedging instruments (€1 = USD 1.3827).

*** amounts expressed excluding accrued interest (186 million euros at 31 December 2014) and excluding the impact of the effective interest rate (121 million euros at 31 December 2014). Including accrued interest and impact of EIR, the total bond borrowing amounted to 8,735 million euros at 31 December 2014.

24 Financial liabilities (Continued)

24.2 Bank borrowing

The Group drew down further bank loans on 21 May 2014 totalling the equivalent of 3,780 million euros.

The bank loans can be broken down as follows:

Original currency	Maturity	Reference interest rate	Margin in foreign currency*	Margin in euros**	Original amount (millions) in foreign currency	Original amount (millions) in euros***	Outstanding at 31 December 2014 (millions) in euros****
EUR	May 2020	Euribor 3M	3.750%	4.500%	1,900	1,900	1,900
USD	May 2020	Libor 3M	3.750%	4.214%	1,394	1,008	1,151
USD	May 2020	Libor 3M	3.750%	4.209%	1,206	872	996
					Total	**3,780**	**4,047**

* With minimum ("floor") of 0.75%. Interest is payable quarterly at the end of January, April, July and October.

** corresponds to the interest rate of hedging instruments.

*** corresponding value at the exchange rate of hedging instruments (€1 = USD 1.3827).

**** amounts expressed excluding accrued interest (32 million euros at 31 December 2014) and excluding the impact of the effective interest rate (96 million euros at 31 December 2014). Including accrued interest and impact of EIR, the total bond borrowing amounted to 3,983 million euros at 31 December 2014.

From the second half of 2015, 0.25% of the outstanding nominal amount of the bank loans will be repaid each quarter.

Additionally, on 21 May 2014 the Group signed a new *Revolving Credit Facility* ("RCF") agreement for up to 750 million euros. As at 31 December 2014, this line of credit had not been drawn on.

24.3 Other financial liabilities

As at 31 December 2014, other financial liabilities included mainly the 750 million[3] euro earn-out that Vivendi may receive following the sale of SFR to Numericable SFR based on the new Group's future financial performance.

3 Additionnal Note to the consolidated financial statements as aproved on March 4, 2015 :
The earn-out is accounted for its discounted fair value of €644 milion under the caption "Other financial liabilities" as at December 31, 2014.

24 Financial liabilities (Continued)

24.4 Net financial debt

	2014	2013
	(millions of euros)	
Bonds	8,670	380
Bank borrowing	4,047	2,258
Finance lease debts	69	41
Other financial liabilities	75	3
Liability items contributing to net financial debt[(a)]	**12,861**	**2,682**
Near-cash	—	—
Cash and cash equivalents	546	101
Derivative instruments[(c)]	912	—
Asset items contributing to net financial debt[(b)]	**1,458**	**101**
Net financial debt[(a)–(b)]	**11,403**	**2,581**

(a) Liability items correspond to the nominal value of financial liabilities (excluding accrued interest, impact of EIR, perpetual subordinated notes, operating debts and any additional payments to Vivendi)—all these assets having been translated at the closing price.

(b) Asset items include cash and cash equivalents, and near-cash if any.

(c) The value of derivative instruments, as at 31 December 2014, can be broken down as an exchange rate impact of 1,063 million euros and an interest rate impact of (151) million euros.

25 Derivative instruments

25.1 Description of derivative instruments

On 23 and 28 April 2014, the Company signed various swap agreements.

These swap agreements can be classified into five categories (amounts expressed in millions of euros—the initial swap amounts are net of fees paid at debt issuance):

	Dollar Bond 2019	Dollar Bond 2022	Dollar Bond 2024	Bank Loan Refi	Bank Loan Non-Refi
Notional amount USD M / EUR M	2,400 / 1,736	4,000 / 2,893	1,375 / 994	1,397 / 1,010	1,203 / 870
Dollar leg / Euro leg	4.875% / 4.354%	6.0% / 5.147%	6.25% / 5.383%	L+3.75% / E+4.2135%	L+3.75% / E+4.2085%
Date of 1st exchange	30 April 2015	30 April 2015	30 April 2015	21 May 2014	30 April 2015
Initial amounts exchanged USD M / EUR M	2,358 / 1,705	3,930 / 2,842	1,351 / 977	1,358 / 982	1,170 / 846
Date of coupon payment	5 August/ 15 February	15 August/ 15 February	15 August/ 15 February	30 July 30 October 30 January 30 April	30 July 30 October 30 January 30 April
Date of final exchange	15 May 2019	15 May 2022	15 May 2022	15 May 2019	15 May 2019
Final amounts exchanged USD M / EUR M	2,400 / 1,736	4,000 / 2,893	1,375 / 994	1,397 /1,010	1,203 / 870
Special clause		Five-year break clause in favour of the banks	Five-year break clause in favour of the banks		

25 Derivative instruments (Continued)

Once the completion date of the acquisition of SFR was known, in October 2014 the Group signed a foreign exchange swap with Société Générale to move up the date of the first swap (originally scheduled for 30 April 2015) to the end of November 2014, in order to have available funds in euros to make the cash payment to Vivendi.

These agreements meet the following main objectives:

To hedge the 5-year and 8-year interest and principal payments in US dollars:

The purpose of the cross-currency swap agreements is to hedge the euro/US dollar exchange rate risk associated with the interest payments and repayments of principal to be made in US dollars for the bonds and bank loans. Under the terms of the swap agreements, the Group will swap amounts in euros for the amounts in US dollars to be paid on each semi-annual or quarterly interest payment date, based on an exchange rate of €1.00 = USD 1.3827.

The swap agreements for the bank loans hedge the interest payments starting from the first semi-annual payments on 15 August 2014, and until 15 May 2019 for the 2019 Dollar Bonds (final payments), 15 May 2022 for the 2022 Dollar Bonds (final payments) and the 2024 Dollar Bonds. The swap agreements for US dollar drawdowns of bank loans hedge the interest payments between the first quarterly payments to be made starting on 30 July 2014 and until 21 May 2019.

The Group also used these swap agreements to hedge the principal of its bonds and bank borrowings in dollars:

- On 15 May 2019, Numericable SFR will pay 1,736 million euros and receive 2,400 million US dollars corresponding to the principal of the 2019 bonds, will pay 870 million euros and receive 1,203 million US dollars corresponding to the principal of the bank loan, although the latter is not due until May 2020.
- On 15 May 2022, Numericable SFR will pay 2,893 million euros and receive 4,000 million US dollars corresponding to the principal of the 2022 bonds, will pay 994 million euros and receive 1,375 million US dollars corresponding to the principal of the 2024 bonds, although the latter does not mature until May 2024.

Note that the Numericable SFR counterparts to the hedging agreements benefit from an early close-out clause at the end of five years (i.e., May 2019) for the 8-year hedging agreements, i.e., relating to the interest and principal of the 2022 and 2024 US dollar bonds. The latter may, unilaterally, close out the hedging agreement three years before maturity and have Numericable SFR pay, or pay to Numericable SFR (depending on the market conditions at the time), the balance of the agreement.

Hedging of LIBOR-based interest payments:

In addition to the two objectives described above, the hedging instruments cover its LIBOR exposure for drawdowns in US dollars of the Term Loan, with EURIBOR exposure. The Group's risk is nevertheless not entirely hedged, since drawdowns in US dollars for the Term Loan bear interest at the LIBOR rate plus a margin, subject to a LIBOR floor of 0.75%, whereas the swap agreements do not include this floor.

The swap agreements for US dollar drawdowns of the Term Loan cover the interest payments starting with the first quarterly interest payments to be made on 30 July 2014 and until 21 May 2019.

Sureties and guarantees:

The swap agreements described above are guaranteed and benefit from the same security as those granted for the bonds and bank loans (see Note 33.1).

25 Derivative instruments (Continued)

25.2 Recognition of derivative instruments

As explained above, the Group has contracted two types of derivative instruments:

– cross-currency swaps whereby, in addition to swapping the nominal, the Group receives a fixed interest rate in US dollars and pays a fixed interest rate in euros. These derivatives hedge the bonds issued in US dollars and qualify as cash flow hedges. The effective portion of the change in fair value of these derivatives is recognised as a counterpart of other items of comprehensive income. It is reversed in profit (loss) when the hedged item affects profit (loss).

  As at 31 December 2014, the fair value of these financial instruments was recognised in other items of comprehensive income in the amount of 169 million euros. The Group also recognised the deferred tax on these instruments in other items of comprehensive income in the amount of 64 million euros as at 31 December 2014.

– cross-currency swaps whereby, in addition to swapping the nominal, the Group receives a variable interest rate in US dollars (3-month LIBOR) and pays a variable interest rate in euros (3-month EURIBOR). These derivative instruments hedge the bank loans issued in US dollars but hedge accounting is not applied to these instruments. These derivatives are, accordingly, recognised at fair value on the balance sheet, with changes in value impacting profit (loss).

  As at 31 December 2014, the fair value of these financial instruments was recognised in financial profit (loss) in the amount of 245 million euros excluding accrued interest.

The following table shows the notional amounts and the fair values of the swaps as at 31 December 2014:

	Amount Notional	Fair value (including accrued interest)[4]	Fair value (excluding accrued interest)
	in millions of euros		
2019 Bonds	1,736	(218)	(210)
2022 Bonds	2,893	(333)	(315)
2024 Bonds	994	(114)	(108)
2020 refinancing (“refi”) loan	1,008	(127)	(126)
2020 non-refinancing (“non- refi”) loan	872	(119)	(119)
Total	**7,503**	**(911)**	**(878)**

A positive fair value indicates an amount in favour of the banks, a (negative) fair value indicates an amount in favour of the Group.

25.3 Measurement of derivative instruments

In accordance with IAS 39, the Group uses the fair value method to recognise its derivative instruments.

The fair value of derivative financial instruments (cross-currency swaps) traded over-the-counter is calculated on the basis of models commonly used by traders to measure these types of instruments. The resulting fair values are checked against bank valuations.

4 Additional Note to the consolidated financial statements as approved on March 4, 2015 :
The fair values indicated include the fair value of the foreign exchange swap agreement that has been entered into in order to move up the date of the first swap (originally scheduled for 30 April 2015) to the end of November.

25 Derivative instruments (Continued)

The measurement of the fair value of derivative financial instruments includes a “counterparty risk” component for asset derivatives, and an “own credit risk” component for liability derivatives. Credit risk is measured on the basis of the usual mathematical models and market data (implicit credit spreads).

A three-level hierarchy is applied when measuring fair value:

- Level 1: the prices listed on an active market;
- Level 2: an internal model with observable parameters using internal valuation techniques: these techniques rely on the usual mathematical calculation methods that include observable market data (price of futures, rates curve, etc.);
- Level 3: an internal model with non-observable parameters.

As at 31 December 2014, the fair value of the derivatives was Level 2.

25.4 Liquidity risk

The residual maturities of the financial liabilities denominated in euros (bonds and bank loans) as at 31 December 2014 (including future interest rates) can be broken down as follows. The expected cash flows correspond to contractual flows (no early repayments expected).

US dollar flows are expressed in euros at the closing rate on 31 December 2014, ie., €1 = USD 1.2110. Interest calculations are based on the Euribor and Libor rates at 31 December 2014.

		Total	< 1 yr.	1 to 5 years	> 5 yrs.
Bonds in USD	**A**	**9,105,870**	**365,762**	**3,420,727**	**5,319,381**
USD Notes 19		2,440,751	96,614	2,344,137	0
USD Notes 22		4,838,976	198,183	792,733	3,848,059
USD Notes 24		1,826,142	70,964	283,856	1,471,322
Hedging instruments	**B**	*(1,397,339)*	*(87,864)*	*(592,294)*	*(717,182)*
Flows in USD		*(8,947,383)*	*(365,762)*	*(3,420,727)*	*(5,160,895)*
Flows in €		***7,550,044***	***277,898***	***2,828,433***	***4,443,713***
USD Notes 19		2,094,710	75,574	2,019,136	0
USD Notes 22		4,046,019	148,791	595,163	3,302,065
USD Notes 24		1,409,315	53,533	214,134	1,141,648
Bank loans in USD	**C**	**2,678,620**	**113,874**	**467,683**	**2,097,063**
Refi loans		1,436,152	61,054	250,750	1,124,348
Non-Refi loans		1,242,468	52,820	216,933	972,714
Hedging instruments	**D**	*(263,354)*	*172*	*(263,526)*	—
Flows in USD		***(2,554,275)***	***(88,814)***	***(2,465,461)***	**—**
Refi loans		*(1,371,967)*	*(47,704)*	*(1,324,263)*	—
Non-Refi loans		*(1,182,308)*	*(41,110)*	*(1,141,198)*	—
Flows in €		***2,290,922***	***88,987***	***2,201,935***	**—**
Refi loans		1,230,621	47.821	1,182,800	—
Non-Refi loans		1,060,301	41,166	1,019,135	—
Total	**A+B+C+D**	**10,123,797**	**391,945**	**3,032,590**	**6,699,262**

25.5 Credit risk and counterparty risk

Numericable SFR is exposed to bank counterparty risk in its investments and derivatives and therefore uses strict criteria when selecting public, financial or industrial institutions in which to invest or contract derivatives, in particular in terms of their financial rating.

26 Provisions

	2014						
	Period-start	Change in scope	Increase	Utilization	Reversal	Other	Period-end
	(in millions of euros)						
Employee benefit schemes[(a)]	10	105	5	—	—	—	120
Restructuring	—	36	11	(35)	—	—	11
Cost of site restoration[(b)]	—	60	3	(2)	—	15	76
Litigation and other[(c)]	70	343	71	(41)	(4)	(2)	437
Total	**80**	**543**	**90**	**(78)**	**(4)**	**12**	**643**
Current provisions	*6*	*340*	*41*	*(67)*	*(4)*	*—*	*316*
Non-current provisions	*74*	*204*	*49*	*(11)*	*(0)*	*12*	*327*

(a) Employee benefit schemes: See Note 28.

(b) Cost of site restoration: the Group has an obligation to restore the technical sites of its network at the end of the lease when it is not renewed or is terminated early.

(c) Litigation and other disputes: are included in provisions mainly when their amounts and types are not disclosed because disclosing them may harm the Group. Provisions for litigation and disputes cover the risks connected with court action against the Group (see Note 34). All provisioned disputes are currently awaiting hearing or motions before a court. The unused portion of provisions recognised at period-start reflects disputes that have been settled by the Group paying amounts smaller than those provisioned, or to a downward re-estimation of the risk.

The table for fiscal year 2013 is presented below:

	2013						
	Period-start	Change in scope	Increase	Utilization	Reversal	Other	Period-end
	(in millions of euros)						
Employee benefit schemes	8	—	2	—	—	—	10
Restructuring	—	—	—	—	—	—	—
Cost of site restoration	—	—	—	—	—	—	—
Litigation and other	58	—	28	(14)	(2)	—	70
Total	**66**	**—**	**30**	**(14)**	**(2)**	**—**	**80**
Current provisions	*2*	*—*	*6*	*(2)*	*—*	*—*	*6*
Non-current provisions	*64*	*—*	*23*	*(11)*	*(2)*	*—*	*74*

27 Share-based payment

In 2013 and 2014, the Board of Directors adopted a number of stock option plans to the benefit of certain corporate officers of Numericable SFR and employees of the Group.

27 Share-based payment (Continued)

The main assumptions used for the valuation of the various stock option plans are listed in the table below:

	November 2013	January 2014	May 2014	November 2014
Number of options granted	5,226,791*	528,192*	91,855*	2,346,160
Total fair value on grant date (in thousands of euros)	9,702	1,145	269	12,251
Share price on grant date (in euros)	13.52*	15.45*	21.54*	33.32
Exercise price of the option (in euros)	13.50*	15.04*	21.18*	29.41
Anticipated volatility (weighted average)	25%	25%	25%	25%
Expiry date (maturity)	Nov. 2021	January 2022	May 2022	Nov. 2022
Anticipated dividends	4%	4%	4%	4%
Risk-free interest rate (based on government bonds)	0.75%	1%	0.50%	0.25%

* adjusted for the impact of the capital increase completed in November 2014.

The exercise of options is subject to conditions of attendance and performance (based on revenue and EBITDA—Capex indicators of the Group).

The vesting occurs in three periods:

- 50% at the end of two years;
- 25% at the end of three years;
- 25% at the end of four years.

28 Post-employment benefits

All Group employees benefit from severance packages upon retirement based on the collective bargaining agreement with the company to which they are attached.

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Group and salary, according to the terms of their employment agreement.

28.1 Assumptions used for defined-benefit plans

	2014	2013
Discount rate	2.0%	3.0%
Expected salary increase rate	3.0%	3.0%
Inflation rate	2.0%	2.0%

Demographic assumptions are specific to each company.

28 Post-employment benefits (Continued)

28.2 Change in commitments

	2014	2013
	(in millions of euros)	
Value of commitments at start of period	**10**	**8**
Service cost	1	1
Interest cost	0	0
Contributions	—	—
Revaluation of defined benefit plan liabilities	3	0
Benefits paid	(0)	(0)
Past service cost	—	—
Business combinations	105	—
Curtailments/Settlements	—	(0)
Value of commitments at end of period	**120**	**10**

28.3 Breakdown of recognised expense in the income statement

	2014	2013
	(in millions of euros)	
Service cost	1	1
Interest cost	0	0
Expected return on plan assets	—	—
Past service cost	—	—
Curtailments/Settlements	(0)	(0)
Expense in respect of post-employment benefits	**2**	**2**

28.4 Actuarial spreads recognised in comprehensive income

	2014	2013
	(in millions of euros)	
Actuarial spreads experienced	(0)	—
Actuarial spreads assumed	3	—
Actuarial spreads recognised in comprehensive income	**3**	**—**

The Group had no hedge assets at 31 December 2014.

29 Other non-current liabilities

	2014	2013
	(in millions of euros)	
Deferred income[(a)]	382	97
GSM licence[(b)]	112	—
Numegy capital not paid up (non-current portion)	63	—
Other	26	5
Other non-current liabilities	**583**	**103**

(a) Prepaid income of more than one year, mainly consisting of unrecognised revenues from network leasing. The current portion of deferred revenue (i.e. revenue to be recognised in less than one year) is presented in “Trade payables and other liabilities.” as indicated in Note 30.

Prepaid income of more than one year consists of 303 million euros generated by SFR.

(b) Amount amortisable until 2021.

30 Trade payables and other liabilities

	2014	2013
	(in millions of euros)	
Trade payables, owed to suppliers	3,591	592
Advances and instalments received, owed to customers	418	20
Tax liabilities	559	25
Social security liabilities	438	54
Prepaid income	591	57
Numegy capital not paid up (current portion)	16	—
Other	8	8
Trade payables and other liabilities	**5,621**	**757**

31 Financial instruments

31.1 Fair value of financial instruments

The following table shows the net carrying value per category and the fair value of the Group's financial instruments at 31 December of each year:

	2014							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortised cost	Derivatives qualifying as hedges	Total net carrying value	Fair value
				(in millions of euros)				
Assets								
Trade and other receivables*	21				2,652		2,652	2,652
Derivative instruments	19/25					912	912	912
Other non-current financial assets	19	1	9	75	53		139	139
Current financial assets	19			7			7	7
Cash and cash equivalents	22	546					546	546
Liabilities								
Non-current financial liabilities	24				13,349		13,349	13,416
Current financial liabilities	24				283		283	283
Trade payables and other current liabilities	30				5,621		5,621	5,621
Other non-current liabilities	29				583		583	583

* excluding prepaid expenses

31 Financial instruments (Continued)

	2013							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortised cost	Derivatives qualifying as hedges	Total net carrying value	Fair value
				(in millions of euros)				
Assets								
Trade receivables from customers and other receivables	21				371		371	371
Non-current financial assets	19			7			7	7
Current financial assets	19			4			4	4
Derivative instruments	25						—	—
Cash and cash equivalents	22	101					101	101
Liabilities								
Non-current financial liabilities	24				2,702		2,702	2,776
Current financial liabilities	24				64		64	64
Trade payables and other current liabilities	30				757		757	757
Other non-current liabilities	29				103		103	103

The carrying value of trade and other receivables, of cash and cash equivalents, of trade payables and other current liabilities, is nearly equal to their fair value given the short maturities of these instruments.

With the exception of derivatives, current and non-current financial liabilities are measured at their amortised cost, which corresponds to the estimated value of the financial liability when initially recognised, minus repayments of principal, and plus or minus cumulative amortisation, measured using the effective interest rate method.

Derivatives are measured at fair value through the income statement, or through other items of comprehensive income, for the effective portion of the change in fair value of derivatives qualifying as cash flow hedges.

Fair value measurement through the balance sheet

Fair value is calculated using market prices. When market prices are not available, an analysis of discounted cash flow is carried out.

In accordance with IFRS 7, a three-level hierarchy is applied when measuring fair value:

- Level 1: prices listed on an active market;
- Level 2: an internal model with observable parameters using internal valuation techniques: these techniques rely on the usual mathematical calculation methods that include observable market data (price of futures, rates curve, etc.);
- Level 3: an internal model with non-observable parameters.

31 Financial instruments (Continued)

The following table shows the measurement method used for financial assets and liabilities measured at fair value at 31 December of each year:

	2014			
	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets measured at fair value				
Derivative instruments	912		912	
Other non-current financial assets	10	1		9
Other current financial assets				
Cash and cash equivalents	546	546		
Financial liabilities measured at fair value				
Derivative instruments	—		—	

	2013			
	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets measured at fair value				
Derivative instruments	—		—	
Cash and cash equivalents	101	101		
Financial liabilities measured at fair value				
Derivative instruments	—		—	

31.2 Financial risk management and derivative instruments

The Group's treasury department provides services, coordinates access to national and international financial markets, measures and manages the financial risks connected with the Group's activities. These risks include market risks (main exchange rate and interest rate risks), credit risks and liquidity risks. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures.

31.3 Exchange rate risk

The Group's exchange rate risk relates to bond issues and bank borrowing denominated in US dollars.

The Group's borrowings arranged in US dollars are fully hedged by derivative instruments in the form of cross-currency swaps. The following table shows the impact of hedging on the initial debt before and after hedging.

Original amount expressed in millions		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2019 Bonds	USD	(2,400)	—	2,400	(1,736)	—	(1,736)
2022 Bonds	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	(1,375)	—	1,375	(994)	—	(994)
2020 "refi" loan	USD	(1,394)	—	1,394	(1,008)	—	(1,008)
2020 "non-refi" loan	USD	(1,206)	—	1,206	(872)	—	(872)
Total liabilities		**(10,375)**	**—**	**10,375**	**(7,503)**	**—**	**(7,503)**

31 Financial instruments (Continued)

Analysis of sensitivity to exchange rate risk

As at 31 December 2014, a sudden 10% change in value of the euro against the US dollar would have, given the assets and liabilities on the balance sheet, an insignificant impact on the Group's currency translation results given the hedging instruments set up by the Group. For the purposes of this analysis, all other variables, in particular interest rates, are assumed to remain unchanged.

31.4 Interest rate risk

The Group is exposed to interest rate risks mainly on bank borrowing set up in May 2014 on a variable interest rate basis. The Group limits such risks, when it considers appropriate, through interest rate swaps and interest rate caps.

Interest rate sensitivity analysis

The analysis of sensitivity to interest rate fluctuations for instruments at variable rates takes into account all variable flows of financial instruments. The analysis assumes that the liabilities and financial instruments on the balance sheet as at 31 December 2014 remain unchanged over the year. For the purposes of this analysis, all other variables, in particular exchange rates, are assumed to remain unchanged.

A 50 basis point rise (fall) in interest rates at the period-end date would result in an approximately 5 million euro increase (decrease) in the cost of debt.

31.5 Liquidity risk management

The Group manages liquidity risk by maintaining adequate levels of cash, cash equivalents and lines of credit, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Cash position including cash equivalents

As at 31 December 2014, Numbericable SFR's cash position more than covered the repayment schedules of its current financial debt:

	Amount available (in millions of euros)
Cash	117
Cash equivalents	429
Amount available for drawing from lines of credit	750
Cash position including cash equivalents	**1,296**

Numericable SFR rating

The Group's current rating is as follows:

Rating agency	
Standard & Poor's	B+ (negative outlook)
Moody's	Ba3 (stable outlook)

Following the acquisition of SFR, Moody's in late January 2015 assigned a rating of Ba3 to Numericable-SFR, S&P confirming it with its B+ rating for the Group.

31.6 Management of credit risk and counterparty risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group.

31 Financial instruments (Continued)

Financial instruments that could increase credit risk are mainly trade receivables, cash investments, and derivative instruments.

Trade receivables

The Group considers that it has extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries across France.

Cash investments and derivative instruments

Numericable SFR is exposed to bank counterparty risk in its investments and derivatives and therefore uses strict criteria when selecting public, financial or industrial institutions in which to invest or contract derivatives, in particular in terms of their financial rating.

32 Related party transactions

Parties related to the Group include:

- All companies included in the consolidation scope, regardless of whether they are fully consolidated or equity associates;
- The company Altice SA and the entities that it consolidates (the "Altice Group");
- Vivendi SA and the entities consolidated within it (the "Vivendi Group"), from 27 November 2014, the date on which Vivendi sold SFR to Numericable-SFR while retaining a 20% holding in the new combination;
- All the members of the Executive Committee of Numericable-SFR;
- The private investment funds Cinven and Carlyle until 18 November 2014, the date on which they sold their remaining holdings in Numericable-SFR.

Transactions between fully consolidated entities within the consolidation scope have been eliminated when preparing the Consolidated Financial Statements. Details of transactions between the Group and other related parties are disclosed below.

32.1 Executive compensation

The Group's executives include members of the Numericable SFR's Executive Committee.

The following table shows the compensation allocated to individuals who were, at period-end, or had been in previous years, members of the Executive Committee.

	2014	2013
	(in millions of euros)	
Short-term benefits[(a)]	5	2
Post-employment benefits[(b)]	0	0
Share-based compensation[(c)]	5	3
Executive compensation	**10**	**5**

(a) Includes gross salaries, fixed component and variable component, profit-sharing as well as benefits in kind recognised during the year.

(b) Corresponds to the cost of services rendered.

(c) Expense recorded in the income statement under stock option plans (including employer's contributions owed under the terms of the plans).

32 Related party transactions (Continued)

32.2 Associates and joint ventures

Associates and joint ventures, measured through equity, are presented in Note 18—Equity associates.

	Associates		Joint ventures	
	2014	2013	2014	2013
	(in millions of euros)			
Assets				
Non-current assets	—	—	30	—
Current assets	68	2	—	—
Liabilities				
Current liabilities	17	—	—	—
Non-current liabilities	63	—	—	—
Net income (expense)				
Operating income	4	—	0	—
Operating expenses	(0)	—		—
Off-balance-sheet commitments				
Operating	—	—	—	—
Financial	47	—	60	—
Pledges	—	—	34	—

The main transactions with equity associates relate to:

– La Poste Telecom as part of its telephony activities,

– Numergy as part of "cloud computing" services,

– Synerail as part of the GSM-R public-private partnership,

– Foncière Rimbaud (1 to 4) with the Vinci Group as part of building SFR SA's headquarters.

32.3 Historic shareholders

Transactions with subsidiaries of Altice Group (from the takeover of major control in January 2014)

	2014
	(in millions of euros)
Total income	15
Total expenses	(11)

These transactions were conducted as part of the Group's current activities with the following companies owned by Altice Group:

– Coditel Brabant, Outre Mer Telecom, Cabovisao, Hot: services with foreign operators;

– Auberimmo : reinvoicing of rents;

– MCS (Ma chaine sport) : TV licences.

Transactions with subsidiaries of Vivendi Group (from 27 November 2014)

	2014
	(in millions of euros)
Total income	30
Total expenses	(28)

These transactions with Vivendi Group companies (Canal+, UMG and Maroc Telecom) fell within the Group's current activities.

32 Related party transactions (Continued)

Transactions with subsidiaries of the Cinven and Carlyle funds (until 18 November 2014)

	2014 (in millions of euros)
Total income	1
Total expenses	45

These transactions, mainly with the company Sagemcom (45 million euros of purchases of modems and decoders) and the B&B Hotels Group (1 million euros in revenues), fell within the Group's current activities.

Cost of extinguishing shareholder debt in 2013

During the restructuring of the Group's debt in 2009, during which the Group's historic shareholders (Altice, Carlyle and Cinven) had acquired certain Senior Debt loans in respect of Ypso France, Ypso Holding Sàrl issued securities subscribed by the shareholders (super preferred equity certificates or "Super PECs") with a nominal value of 1 euro each, the interest on which could be capitalised.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable SFR on 7 November 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Consequently, the cost of extinguishing the debt (the "Premium") was recognised under financial expenses in 2013 in the amount of 81.6 million euros. This charge had no impact on the Group's cash position.

33 Commitments and contractual obligations

The significant contractual commitments undertaken or received by the Group are disclosed below.

33.1 Commitments relating to bonds and term loans arranged in May 2014

As part of the bond issues and term loans arranged in May 2014, a certain number of Group subsidiaries (Numericable SFR, SFR, Ypso France, Ypso Holding, Altice B2B France, NC Numericable, Numericable US LLC and Numericable US SAS, Completel and Ypso Finance) pledged certain assets at banks (equity instruments of Group companies, bank accounts, intragroup loans, trademarks and goodwill).

Additionally, in the event of a change of control (if a company other than Altice or an affiliate of Alice came to hold more than 51% of Numericable SFR), the Group would have to offer to repay its debt for an amount equal to 101% of the amount outstanding on that debt.

Bond issues also include certain restrictions that limit the Group's ability to:

- contract or guarantee any additional debt, subject to a consolidated net debt leverage ratio (4.0 for total debt and 3.25 for bonds);
- make investments or other payments that are subject to restrictions (including dividends);
- grant sureties;
- dispose of subsidiaries' assets and equity instruments;
- conclude certain transactions with its affiliates;
- enter into agreements limiting the ability of its subsidiaries to pay it dividends or repay intragroup loans and advances; and
- carry out mergers or consolidations.

33 Commitments and contractual obligations (Continued)

33.2 Commitments relating to the acquisition of SFR

As part of the acquisition of SFR, the Group also made a commitment to safeguard jobs for 36 months from July 2014.

The purchase of SFR by Numericable included certain conditions imposed by the French competition authority:

- The Group must open its own network to rival operators (Internet service providers (ISPs), mobile virtual network operators (MVNOs));
- The Group must sell off the copper network of Completel which operates in the business market (as mentioned in Note 33);
- Altice, the majority shareholder in the Group, must sell the mobile telephony activities of Outremer Telecom in La Réunion and in Mayotte;
- The Group undertakes not to communicate to Vivendi any commercial strategic information concerning the markets in which these two groups compete or may compete, during the lifetime of the commitments.

These commitments were undertaken for a period of five years, renewable once, and compliance with them will be monitored by an independent agent approved by the French competition authority.

Additionally, as mentioned in Note 5, the price paid to Vivendi (reflecting a price adjustment agreed to between the parties) was disputed by the Group in the amount of 225 million euros.

33.3 Commitments relating to SFR assets (excluding network pooling)

The contractual commitments for the acquisition of tangible and intangible assets amounted to 634 million euros at 31 December 2014. This amount includes commitments relating to the deployment of telecommunications networks.

The commitment schedule is as follows:

		Maturity			
	Minimum future payments - 2014	**Less than one year**	**Two to five years**	**More than five years**	**2013**
		(in millions of euros)			
Commitments relating to Delegated Public Services[a]	179	15	31	133	72
Commitments relating to Less Dense Areas (ZMD)[b]	72	13	39	20	216
Other investments	383	378	5	—	600
Total net investment commitments	**634**	**406**	**75**	**153**	**888**

(a) On 27 March 2014, as part of its public service delegation activity (DSP) since 2004 in the Oise département, SFR signed the contract for the "Oise THD" project to operate and market 280,000 Fiber To The Home (FTTH) connections. This commitment amounts to 125 million euros over 15 years.

(b) Commitments relating to the deployment of FTTH (Fiber To The Home) in less densely populated areas.

33.4 Agreement to pool part of SFR's mobile network

On 31 January 2014, SFR and Bouygues Telecom signed a strategic agreement to pool their mobile networks. They will deploy a new shared-access mobile network in an area covering 57% of the population. This agreement allows the two operators to improve their mobile coverage and to achieve significant savings over time.

33 Commitments and contractual obligations (Continued)

The agreement is based on two principles:

- 1) create an ad-hoc joint venture to manage the pooled assets of the radio sites, i.e., the passive infrastructures and geographical sites where the telecom infrastructures and equipment are deployed. SFR and Bouygues Telecom each retain full ownership of their own telecom equipment assets and frequencies;
- 2) set up a RAN-sharing service that 2G, 3G and 4G operators can use in the shared territory. Each operator is responsible for the part of the shared territory in which it designs, deploys, operates and maintains the RAN-sharing service.

This pooling agreement is similar to many mechanisms set up in other European countries. Each operator retains its own independent innovation capacity and total commercial and pricing independence. The first deliveries of cell plans were on 30 April 2014. On that occasion, each operator was informed of its partner's deployment plans, as exchanges of technical information about the sites when developing the pooling agreement had been prohibited by the French telecom regulator ARCEP. This exchange of information led, on 24 October 2014, to the agreement being adjusted, in particular regarding certain engineering choices that had been made at a time when the negotiating parties did not have full access to pertinent data about each other's network. The target network completion date was pushed back by a year, from the end of 2017 to the end of 2018, to take into account previous deployment delays encountered.

Taking this adjustment into account, SFR estimates the commitments given under this agreement to be approximately 1,830 million euros, and commitments received approximately 2,210 million euros, for a net commitment of approximately 380 million euros, covering the entire long-term agreement.

33.5 Intangible assets and property, plant and equipment relating to SFR telecommunication activities

SFR holds licences to operate its networks and to supply its telecommunication services throughout France for a period of 15 years for GSM (March 2006 – March 2021), 20 years for UMTS (August 2001 – August 2021) and 20 years for LTE (January 2012 – January 2032) under the following financial terms:

- for the GSM licence, annual payments for 15 years in two parts each year: a fixed component amounting to 25 million euros per year (this discounted amount was capitalised as 278 million euros in 2006) and a variable component corresponding to 1% of the revenues generated during the year with this 2G technology;
- for the UMTS licence, the fixed component paid in 2001, ie., 619 million euros, was recognised in intangible assets and the variable component of the royalty amounted to 1% of the annual revenue generated by this activity. Additionally, under this licence, SFR acquired new frequencies for 300 million euros in June 2010, for a 20-year period;
- for the LTE licences, the fixed components paid in October 2011 (150 million euros) and January 2012 (1,065 million euros) were recognised in intangible assets on the licence allocation dates published in the Official Journal in October 2011 and January 2012, and the variable component amounted to 1% of the annual revenues generated by this activity. The variable components of these licence fees, which cannot be reliably measured in advance, are not recorded on the balance sheet but are recognised under expenses for the period in which they are incurred.

33.6 Hedging commitments relating to SFR telecommunication licences

On 30 November 2009, the French Regulatory Authority on Electronic Communications and Postal Services(Autorité de Régulation des Communications Electroniques et des Postes or "ARCEP")

33 Commitments and contractual obligations (Continued)

instructed SFR to provide UMTS coverage for 99.3% of France's metropolitan population by 31 December 2013. In its decision 2014-0624 of 27 May 2014, ARCEP opened an administrative investigation into SFR's compliance with its UMTS coverage commitments. The result of this investigation is as yet unknown.

As part of the allocation of the first block of LTE frequencies in October 2011, SFR undertook to provide coverage for 25% of France's metropolitan population by 11 October 2015, 60% by 11 October 2019, and 75% by 11 October 2023. As part of the allocation of the second block of LTE frequencies in January 2012, SFR undertook to meet the following obligations:

(i) SFR must provide the following very high speed mobile services:

– 98% of France's metropolitan population by January 2024 and 99.6% by January 2027;

– coverage in the primary deployment area (approximately 18% of the metropolitan population and 63% percent geographically): SFR must cover 40% of the population in this primary deployment area by January 2017 and 90% by January 2022;

– coverage by departmental district: SFR must cover 90% of the population of each department by January 2024 and 95% by January 2027.

(ii) SFR and Bouygues Telecom have a joint obligation to pool networks or share frequencies in the primary deployment area.

(iii) SFR has an obligation to allow roaming for Free Mobile in the primary deployment area once Free Mobile covers 25% of France's population with its own 2.6 GHz network and if it has not signed a national roaming agreement with another operator.

(iv) SFR must, jointly with the other holders of 800 MHz band licences, cover the city centres identified by the public authorities in the "white spots" programme (more than 98% of the population) within no more than 15 years.

33.7 Commitments relating to operating leases

The minimum future rents for operating leases are shown in the following table:

	Minimum future rents - 2014	Maturity			2013
		Less than one year	Two to five years	More than five years	
	(in millions of euros)				
Land	—	—	—	—	—
Buildings	1.732	280	896	556	—
o/w administrative premises	*587*	*60*	*243*	*283*	*58*
o/w technical premises	*1.193*	*229*	*682*	*283*	—
o/w other	*2*	*0*	*1*	*0*	—
Other	150	41	70	38	—
Leases	**1.931**	**330**	**996**	**605**	**58**
Buildings	(277)	(51)	(124)	(102)	—
o/w administrative premises	—	—	—	—	—
o/w technical premises	*(277)*	*(51)*	*(124)*	*(102)*	—
Other	—	—	—	—	—
Sublets	**(277)**	**(51)**	**(124)**	**(102)**	**—**
Total Net	**1.654**	**279**	**872**	**503**	**58**

The total future technical rents include rights of way and rents related to the right to use fibre optics.

33 Commitments and contractual obligations (Continued)

33.8 Commitment relating to SFR long-term contracts

Commitments relating to long-term contracts involve mainly telecommunication network maintenance contracts.

	Minimum future payments - 2014	Maturity			2013
		Less than one year	Two to five years	More than five years	
	(in millions of euros)				
Commitments given	223	76	118	29	178
Commitments received	(142)	(17)	(61)	(63)	(127)
Total	**81**	**59**	**57**	**(34)**	**51**

33.9 Other commitments

	2014	Maturity	2013
	(in millions of euros)		
(a) Joint and several bank security deposits and	103	Following	—
(b) Other bank security deposits and guarantees	81	2026	4
(c) Commitments to purchase securities	16	2026	—
Pledges	39	2017	—
Commitments given	**239**		**4**
Other bank security deposits and guarantees	(1)		—
Commitments received	**(1)**		**—**

(a) These are Public-Private Partnerships (PPP) between the SFR, Vinci, AXA and TDF groups and Réseau Ferré de France (R.F.F.), owner and manager of the French railway network.

(b) This amount includes 16 million euros in guarantees given as part of the tax audits under way of NC Numericable.

(c) The Group has made unilateral promises to buy out minority interests of a financial partner in certain entities Such promises can be made only in the event that the Group's entities do not meet the contractual commitments made when signing the associated pacts.

34 Litigation

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

A provision is recorded by the Group when there is a sufficient probability that such disputes will lead to costs that the Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the Group are involved in a certain number of disputes related to the ordinary activities of the Group. Only the most significant disputes and proceedings in which the Group is involved are described below.

The Group is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are pending or threatened) other than those mentioned below in this section that may have or have had in the last 12 months significant effects on the financial position or profitability of the Group.

34.1 Tax audits

Litigation relating to the VAT rates applicable to Numericable's multi-play offers:

The French tax authorities have conducted audits of various companies of the Group since 2005 with respect to the VAT rates applicable to our multi-play offerings.

34 Litigation (Continued)

The Group formally contested the tax reassessments for the fiscal years 2006 to 2010. The Group filed motions with the Montreuil Adminstrative Court in August 2013 for 2006 and in July/August 2014 for 2007 to 2009.

Lastly, the Group received accounting verification notices dated 6 June 2014 for the fiscal years 2010, 2011 and 2012 to be completed by 26 December 2014 at the submission of adjustment proposals relating once again to VAT applicable to multi-play offers, despite the changes in the rules on 1st January 2011 supporting the Group's practices in this matter. The Group is contesting the entire proposed reassessment.

At the end of 2014, provisions for the years 2006 to 2010 (VAT, additional taxes and late-payment penalties) remained unchanged compared to 2013, at 24 million euros. An additional provision of 20 million euros was allocated in 2014 to cover all the expected reassessments for 2011 (VAT, additional taxes and late-payment penalties).

The risk relating to VAT applicable on multi-play offers was provisioned at 44 million euros at 31/12/2014 (excluding 40% penalties applied solely to the period 2007 to 2010 amounting to 7.1 million euros).

Audits of Altice B2B France and Completel:

In December 2013, the tax authorities, after a tax audit of the entities Altice B2B France and Completel for the years 2010 and 2011, proposed a 11 million tax adjustment which was provisioned in full at 31 December 2013 (corporation income tax, VAT, withholding tax, fines, penalty surcharges and late-payment penalties). These adjustments mainly reflect a dispute over the value of services that the companies benefited from in 2009, 2010 and 2011. Furthermore, as a result of a proposed tax adjustment received in 2014, 1 million euros in provisions were reversed, reducing provisions at 31 December 2014 to 10 million euros. Additionally, the proposed adjustment is reflected in a 26 million euro reduction in deferrable losses. The Group is still contesting all of the proposed reassessments.

Litigation involving SFR:

In light of the tax audit for the years 2009 and 2010, 6 million euros were retained at the close of the fiscal year, primarily to cover the reassessments of the Research Tax Credit received by the Company for those years.

The company SFR was absorbed by merger on 12 December 2011 into Vivendi Telecom International, which was then renamed SFR, a subsidiary fiscally consolidated into Vivendi in 2011. As a result of the accounting audit of SFR for fiscal year 2011, the tax authorities intend to question the terms and conditions of that merger, as well as the proceeds from foreign tax credits. An adjustment proposal was sent to the Company showing additional corporation tax of 711 million euros plus surcharges and late payment penalties amounting to 663 million euros.

Only one provision was allocated in 2011 in connection with the audit, in the amount of 8.4 million euros to cover the proposed adjustment regarding foreign tax credits, which are, however, contested by the Company. The Company believes it has the legal grounds to defend its position on the tax assessment for 2011 connected with the merger that is the object of the reassessment.

34.2 Civil and commercial disputes

In-depth inquiry by the European Commission into the transfer of cable infrastructures by certain local authorities to Numericable:

On 17 July 2013, the European Commission signalled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French

34 Litigation (Continued)

regional authorities to Numericable was consistent with European Union rules on state aid. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives it an economic advantage not enjoyed by its competitors, and that it therefore constitutes state aid within the meaning of the rules of the European Union. It argues that the transfer free of charge of the cable networks and ducts by 33 French municipalities to Numericable confers a benefit of this type and, as such, is state aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union. The Group firmly denies the existence of any state aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (200,000), the majority of which have not been migrated to EuroDocsis 3.0 and accordingly only allows access to a limited number of the Group's television services. The European Commission's decision of 17 July 2013 was published in the Official Journal of the European Union on 17 September 2013. Since then, discussions have continued within the framework of the procedure in respect of observations of third parties as well as those of the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any state aid.

Litigation between Numericable and Orange regarding certain IRUs

The Group entered into four non-exclusive Indefeasible Rights of Use arrangements (IRUs) with Orange on 6 May 1999, 18 May 2001, 2 July 2004 and 21 December 2004, in connection with the acquisition by the Group of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

Following ARCEP's decision 2008-0835 of 24 July 2008, Orange published, on 15 September 2008, a technical and commercial offer made to telecommunication operators allowing them access to the civil engineering infrastructure of the local wire-based exchange, pursuant to which such operators can roll out their own fibre networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Group enjoys under the Orange IRUs. As a result, Orange asked the Group to comply with the general rules regarding access to Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated, and both ARCEP and the Paris Court of Appeal ruled in favour of Orange on November 4, 2010 and June 23, 2011 respectively. Numericable appealed the decision before the French Supreme Court (Cour de Cassation), which upheld, on 25 September 2015, for the most part, the decision of the Paris Court of Appeal.

Moreover, on 21 October 2011, ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its 4 November 2010 decision. Consequently, in December 2011, Numericable and Orange signed amendments to the IRUs in order to comply with the 4 November 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by ARCEP were not stopped by the execution of the amendments to the IRUs, and Numericable was fined 5.0 million euros on 20 December 2011 for non-compliance with ARCEP's 4 November 2010 decision. The fine was paid in full during fiscal year 2012. Numericable filed an appeal against the decision before the Council of State. Within the framework of this appeal, Numericable raised a question of Constitutional law, which was brought before the Constitutional Court, on compliance with the terms of Article L. 36-11 of the French Code for Postal and Electronic Communications (Code des Postes et des Communications Electroniques (the "CPCE")), which sets out ARCEP's powers to issue penalties. On 5 July 2013, the Constitutional

34 Litigation (Continued)

Court found in Numericable's favour and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE, on the basis of which ARCEP's 20 December 2011 decision to impose the aforementioned penalty was made. Numericable asked the Council of State to take the conclusions of this decision into consideration and accordingly to cancel ARCEP's 20 December 2011 decision. On 21 October 2013, the Council of State annulled the penalty imposed by ARCEP on 20 December 2011, which had ordered Numericable and NC Numericable to pay a fine of 5 million euros for non-compliance with ARCEP's 4 November 2010 ruling. ARCEP therefore returned the 5 million euros back to Numericable.

At the same time, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on 7 October 2010 claiming damages of 2.7 billion euros for breach and modification of the IRUs by Orange. On 23 April 2012, the Commercial Court of Paris ruled in favour of Orange and dismissed the Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on Numericable by Orange under the terms of its general technical and commercial offer, published on 15 September 2008. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages as it had before the Paris Commercial Court. Orange, in turn, claims that the proceedings materially impaired its brand and image, and claims damages of 50 million euros. In a ruling dated 20 June 2014, the Paris Court of Appeal dismissed Numericable's appeal, which was referred to the Court of Cassation on 14 August 2014.

Litigation between Numericable and Free regarding advertising for a mobile offer

A claim was filed by Free against Numericable on 3 August 2011 for damaging its brand and image. Via two summons, Free asked that Numericable be ordered to pay a total of 10 million euros in damages. On 13 December 2013, the Commercial Court of Paris ordered Numericable to pay Free the sum of 6 million euros. Numericable appealed this decision. As the judgement was enforceable, the sum was paid in full in early 2014.

Litigation between Numericable and the Professional Football League ("Ligue de Football Professionnel")

In a submission to the Commercial Court of Nanterre dated 26 April 2013, the Professional Football League ("Ligue de Football Professionnel"—LFP) argued that Numericable had abused its dominant position in breach of its obligation of non-discrimination against the LFP when it was in charge of the production of the CFoot channel. The LFP requested 4.1 million euros in damages in compensation for the prejudice. More particularly, the LFP criticized Numericable for the low level of remuneration for the marketing of the CFoot channel compared with the remuneration of certain sports channels sold in packages.

Action by Colt, Free and Orange before the General Court of the European Union regarding DSP 92

The companies Colt, Free and Orange, in three separate motions filed against the European Commission before the General Court of the European Union to annul the European Commission's final decision of 30 September 2009 (Decision No. C (2009) 7426), which held that the compensation of 59 million euros granted for the establishment and operation of a high-speed electronic communications network in the department of Hauts de Seine does not constitute state aid within the meaning of the rules of the European Union. The Group is not party to this proceeding. Its subsidiary Sequalum is acting as the civil party, as well as the French state and the department of Hauts de Seine. In three rulings dated 16 September 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have filed an appeal with the Court of Justice of the European Union.

34 Litigation (Continued)

Claim by Bouygues Télecom against Numericable, Completel, and NC Numericable

In late October 2013, the Group received a claim from Bouygues Telecom on the “white label” contract concluded between the two companies on 14 May 2009, initially for five years and extended once for an additional five years, for the supply to Bouygues Telecom of high-speed double- and triple-play broadband offers. In its letter, Bouygues Telecom claimed damages totalling 53 million euros as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of 17.3 million euros due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of 33.3 million euros as a result of alleged failure by Group companies in the performance of the contract and (iii) an amount of 2.4 million euros to repair the alleged damage to Bouygues Telecom’s image. The Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim.

Litigation between Sequalum and CG 92 regarding DSP 92

A disagreement arose between the Hauts-de-Seine General Council (“CG92”) and Sequalum regarding the terms of performance of a public service delegation contract (“THD Seine”) signed on 13 March 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council, to create a very high speed fibre optic network in the Hauts-de-Seine region.

The Hauts-de-Seine General Council meeting of 17 October 2014 decided to rescind the public service delegation agreement signed with Sequalum “for gross misconduct by the delegatee for which it is solely responsible”. The Hauts-de-Seine General Council demanded the payment of penalties totalling approximately 45 million euros for delays, contested by Sequalum, in the deployment of fibre optics and connections to buildings. As part of the enforcement of the contract and following the delivery of an order for payment of the above penalties, the General Council also asked the financial establishment concerned to enforce the first-demand guarantee agreed by Sequalum in the amount of 10 million euros corresponding to the guaranteed floor in the DSP 92 agreement. To date, the financial establishment has not met the General Council’s request on the grounds that it did not comply with the required procedure and documentation for enforcement of the guarantee.

The order for payment was contested in a motion before the Administrative Court of Cergy Pontoise on 3 September 2014. Its enforcement and the payment of the sums requested have been suspended pending a ruling on its merits.

Sequalum claims that the rescission was unlawful and is continuing to perform the contract, subject to any demands that the delegator may impose. Should the competent courts confirm this interpretation, Sequalum may have to repay the public subsidies received for the DSP 92 project (normally the unamortised component of the subsidies). In turn, the department of Hauts-de-Seine will receive the returnable assets of the DSP on 1st July 2015. Furthermore, the General Council will have to pay compensation to Sequalum, which essentially corresponds to the net value of the assets.

On 16 October 2014, Sequalum filed a motion before the Administrative Tribunal of Cergy Pontoise to have the public service delegation rescinded on the grounds of force majeure in the form of irreversible disruption caused by a contracting economy.

Following the cancellation of the DSP 92 agreement, the Group’s management carried out a risk assessment of these procedures and found that there were too many uncertainties to be able to evaluate the potential risk to the Group. Under such conditions, the accounting criteria for recognizing a provision were not met.

34 Litigation (Continued)

Numericable states that it also has its own fibre optics in the department of Hauts-de-Seine to service its customers. Furthermore, DSP 92 accounts for a relatively insignificant percentage of Group revenue.

Orange v. SFR and Bouygues Telecom

On 29 April 2014, Orange applied to the French Competition Authority (ADLC) to disallow the agreement signed on 31 January 2014 by SFR and Bouyges Telecom to pool part of their mobile access networks. Orange argued that this agreement constituted a collusive, concerted, horizontal agreement between competitors. Orange requested the immediate suspension of the agreement. On 25 September 2014, the ADLC denied Orange's request and the Court of Appeal confirmed the ADLC's decision on 29 January 2015. At this stage of the proceedings, SFR has not constituted any provisions.

Complaint by Bouygues Telecom against SFR and Orange regarding call termination and mobile telephony markets

The French Competition Authority received a complaint from Bouygues Telecom against SFR and Orange claiming that the latter were engaged in anticompetitive practices in the call termination and telephony market ("price scissoring"). On 15 May 2009, the French Competition Authority decided to postpone its decision and remanded the case for further investigation. SFR was heard by the official reporter on 13 December 2010. On 18 August 2011, SFR received a notification of complaint regarding unfair pricing practices. On 13 December 2012, the French Competition Authority fined SFR 66 million euros. SFR appealed this decision. The case was heard by the Paris Court of Appeal on 20 February 2014. The Paris Court of Appeal rendered its judgement on 19 June 2014, dismissing SFR's appeal and asked the European Commission to provide an Amicus Curiae to shed light on the economic and legal issues raised by the case. The Court of Appeal postponed ruling on the merits of the case pending the Commission's opinion. The Commission delivered its opinion on 1st December 2014. A procedural hearing was scheduled for 24 February 2015 at the Court of Appeal. On 9 July 2014, appealed the ruling on procedural grounds.

As a result of the French Competition Authority decision of 13 December 2012, Bouygues Telecom and EI Telecom (NRJ Mobile) brought a suit against SFR in the Commercial Court for damages. In accordance with the transaction between SFR and Bouygues Telecom in June 2014, the closed hearing of the conciliation proceedings was held on 5 December 2014. The motion for discontinuance granted on 11 September 2014 ended the legal action between the two companies. With respect to the 28.6 million euros claimed by EI Telecom, SFR applied for a postponement while awaiting the decision of the Paris Court of Appeal and obtained it.

SFR set up provisions for the legal action against EI Telecom.

Complaint against Orange to the French Competition Authority (NRA ZO)

On 9 December 2009, SFR and SFR Collectivités filed a complaint with the French Competition Authority against Orange for unfair practices.

As part of this complaint, SFR summoned Orange to the Paris Commercial Court (NRA ZO) for damages.

SFR summons against Orange at the Paris Commercial Court (call termination—call origination)

On 22 February 2010, SFR summoned Orange demanding it cancel the price for Orange call origination for the period 2006-2007 and replace it with a lower rate of 2% for 2006 and 15% for 2007.

On 25 June 2013, SFR had all its requests dismissed. On 25 July 2013, SFR lodged an appeal against the Commercial Court ruling.

34 Litigation (Continued)

Complaint by Orange Réunion, Orange Mayotte and Outre-mer Telecom against SRR and SFR

The companies Orange Réunion, Orange Mayotte and Outremer Télécom filed a complaint with the French Competition Authority regarding unfair differential pricing by SRR in the "Consumer" market and the "Business" market. On 16 September 2009, the French Competition Authority announced interim measures against SRR, pending its decision on the merits.

SRR had to discontinue any price spread exceeding the "off-net/on-net" (network cost) spread. As the French Competition Authority found that SRR had not fully complied with its injunction, it fined SRR 2 million euros on 24 January 2012. As regards the main proceedings, on 31 July 2013, SRR signed a "no contest" of grievances and a letter of commitments. Consequently, the deputy general "reporter" proposed a reduction in SRR's fine to the Authority.

Following the Authority's decision of 16 September 2009, on 17 June 2013 Outremer Telecom summoned SRR to the Paris Commercial Court for damages it claimed were caused by SRR's unfair practices. On 13 November 2013, the Court postponed its ruling until the Competition Authority's decision on the merits.

On 13 June 2014, the Authority rendered its decision for the "Consumer" component of the case, fining SFR and its subsidiary SRR 45.9 million euros. The "Business" component of the case is still active and being considered by the Competition Authority.

As a result of the French Competition Authority decision of 13 June 2014, on 8 October 2014 Orange Réunion summoned SRR and its parent company SFR to the Commercial Court for damages. It applied for damages in the amount of 135.2 million euros. SFR has set up provisions.

Complaint against Orange to the French Competition Authority

On 9 August 2010, SFR filed a complaint against Orange with the Competition Authority for anticompetitive practices in the business mobile telephony services market.

Orange summons against SFR at the Paris Commercial Court (overflows)

On 10 August 2011, Orange filed a complaint against SFR at the Paris Commercial Court. Orange asked for an injunction to stop SFR from passing its overflow traffic onto the Orange network. On 10 December 2013, SFR was ordered to pay 22.1 million euros to Orange. On 10 January 2014, SFR appealed this decision. On 16 January 2015, the Paris Court of Appeal upheld the ruling of the Paris Commercial Court.

SFR v. Orange: abuse of dominant position in the second homes market

On 24 April 2012, SFR filed a complaint against Orange at the Commercial Court for practices abusing its dominant position in the second homes market. On 12 February 2014, the Paris Commercial Court ordered Orange to pay 51 million euros in damages.

Orange appealed this ruling. On 2 April 2014, Orange also requested the suspension of the provisional enforcement of the Commercial Court's ruling. On 4 July 2014, this request was dismissed. On 8 October 2014, the Paris Court of Appeal reversed the ruling of the Paris Commercial Court and SFR paid the 51 million euros back to Orange in November 2014. On 19 November 2014, SFR appealed this decision.

Free v. SFR: unfair practices for non-compliance with consumer credit provisions in a subsidized offer

On 21 May 2012, Free filed a complaint against SFR at the Paris Commercial Court. Free challenged the subsidy used in SFR's "Cross" offers sold over the web between June 2011 and December 2012,

34 Litigation (Continued)

claiming that it constituted a form of consumer credit and, as such, SFR was guilty of unfair practices by not complying with the consumer credit provisions, in particular in terms of prior information to customers. Free asked the Paris Commercial Court to require SFR to inform its customers and to order it to pay 29 million euros in damages. On 15 January 2013, the Commercial Court dismissed all of Free's requests and granted SFR 0.3 million euros in damages. On 31 January 2013, Free appealed this decision. At this stage of the proceedings, SFR has not constituted any provisions.

SFR v. Iliad, Free and Free mobile: unfair competition by disparagement

In June 2014, SFR filed a complaint against Iliad, Free and Free Mobile at the Paris Commercial Court for unfair competition claiming that when Free Mobile was launched and afterwards, Iliad/Free were guilty of disparaging SFR services.

UFC v. SFR: unfair terms

On 7 June 2012, UFC filed a complaint against SFR at the Paris Regional Court claiming that the general terms of use of SFR La Carte contained unfair terms. UFC asked for the terms to be removed and damages to be paid. SFR has set up provisions.

SFR v. Orange (involving non unbundled areas)

On 26 November 2012, SFR filed a complaint with the French Competition Authority for abuse of dominant position in the retail market for high speed Internet access in non-unbundled areas.

CLCV complaint against SFR

On 7 January 2013, the consumer association CLCV filed a complaint against SFR at the Paris Commercial Court.

CLCV claimed that some of the clauses in SFR's general terms of subscription, and those of some other telephone operators, were unfair. It also asked for compensation for the collective harm inflicted. At this stage of the proceedings, SFR has not constituted any provisions.

Disputes regarding the transfer of customer call centres from Toulouse, Lyon and Poitiers

Following the transfer of customer call centres from Toulouse and Lyon to the company Infomobile and the Poitiers call centres to a subsidiary of the Bertelsmann Group, the former employees at those sites filed legal actions at Human Rights Tribunals in each city to penalize what they claim were unfair employment contracts constituting fraud under Article L. 1224-1 of the French Labour Code and also contravening the legal provisions regarding dismissal for economic reasons. The rulings in 2013 were mixed as the Toulouse Court of Appeal penalized SFR and Téléperformance in half of the cases while the Lyon and Poitiers courts ruled in favour of SFR. The cases are now at different stages of proceedings: Human Rights Tribunal, Court of Appeal and Court of Cassation. On 18 June 2014, the Court of Cassation upheld the decision of the Toulouse Court of Appeal and dismissed the appeal against the decision of the Poitiers Court of Appeal. The Toulouse Court of Appeal ruled against SFR on 6 February 2015.

SFR has set up provisions.

Litigation over distribution in independent networks (Consumer market and SFR Business Team)

SFR, like companies operating an indirect distribution model, faces complaints from a certain number of its distributors and former distributors. Such recurring complaints revolve around claims of sudden breach of contractual relations, unfair economic dependency and/or demands for requalification as a

34 Litigation (Continued)

sales agent as well as, recently, demands for requalification as a contractual branch manager and requalification as SFR contracted point of sale staff. SFR, after receiving four adverse judgements by the Court of Cassation regarding the status of branch manager, was recently successful at various Courts of Appeal. Regarding the requalification of employment contracts and sales contracts in these disputes, despite rare exceptions, SFR received favourable judgements.

SFR has set up provisions.

35 List of consolidated entities

Company	Country Registered office	Interest group 2014	Interest group 2013	Method[1] 2014	Method[1] 2013
Numericable SFR	**France**	**100%**	**100%**	**Parent company**	
Ypso Holding SARL	Luxembourg	100%	100%	IG	IG
Ypso France SAS	France	100%	100%	IG	IG
NC Numericable SAS	France	100%	100%	IG	IG
ENO Belgium[2]	Belgium	—	100%	—	IG
ENO Holding[2]	Belgium	—	100%	—	IG
Numericable Finance & Co. SCA	Luxembourg	100%	100%	IG	IG
Numericable Finance SARL	Luxembourg	100%	100%	IG	IG
Stichting Ypso 1	Netherlands	100%	100%	IG	IG
Stichting Ypso 2	Netherlands	100%	100%	IG	IG
TME France SA	France	100%	100%	IG	IG
Coditel Debt S.à.r.l	Luxembourg	100%	100%	IG	IG
Ypso Finance SARL	Luxembourg	100%	100%	IG	IG
Sequalum Participation SAS	France	100%	95%	IG	IG
Sequalum SAS	France	100%	95%	IG	IG
Alsace Connexia Participation SAS	France	100%	38.15%	IG	ME
Altice B2B France SAS	France	100%	100%	IG	IG
Completel SAS	France	100%	100%	IG	IG
LTI Telecom SAS	France	100%	100%	IG	IG
Invescom SA	France	100%	100%	IG	IG
B3G International BV	Netherlands	100%	100%	IG	IG
Numericable US SAS[3]	France	100%	—	IG	—
Numericable US LLC[3]	United States	100%	—	IG	—
SFR Participation[3]	France	100%	—	IG	—
SFR sub-group acquired 27 November 2014:					
SFR SA	France	100%	—	IG	—
SIG 50 SA	France	100%	—	IG	—
Telindus France SA Group	France	100%	—	IG	—
Telindus France SAS	France	100%	—	IG	—
Telindus Morocco SA	Morocco	100%	—	IG	—
LD Communications BV	Netherlands	100%	—	IG	—
LD Communications Italie Srl	Italy	100%	—	IG	—
LD Communications Suisse SA	Switzerland	100%	—	IG	—
2SID SAS	France	100%	—	IG	—
2SIP SAS	France	100%	—	IG	—
Cinq sur Cinq SA	France	100%	—	IG	—
Ariège Telecom SAS	France	100%	—	IG	—

35 List of consolidated entities (Continued)

Company	Country Registered office	Interest group 2014	Interest group 2013	Method(1) 2014	Method(1) 2013
Cap Connexion SAS	France	100%	—	IG	—
CID SA	France	100%	—	IG	—
Debitex Telecom SAS	France	100%	—	IG	—
Eur@seine SAS	France	100%	—	IG	—
FOD SNC	France	100%	—	IG	—
Futur Telecom SAS	France	100%	—	IG	—
Gravelines Network SAS	France	100%	—	IG	—
Haut-Rhin Telecom SAS	France	100%	—	IG	—
Loiret THD SAS	France	100%	—	IG	—
MACS THD SAS	France	100%	—	IG	—
Opalys Telecom SAS	France	100%	—	IG	—
Rennes Métropole Telecom SAS	France	100%	—	IG	—
Rimbaud Gestion B SCI	France	100%	—	IG	—
Foncière Velizy SCI	France	100%	—	IG	—
SFCM SA	France	100%	—	IG	—
SFD SA	France	100%	—	IG	—
SFR Collectivités SA	France	100%	—	IG	—
SFR Développement SAS	France	100%	—	IG	—
SID SCS	France	100%	—	IG	—
SRR SCS	France	100%	—	IG	—
SHD SA	France	100%	—	IG	—
LTBR SA	France	100%	—	IG	—
Pays Voironnais Network SAS	France	100%	—	IG	—
Pays Voironnais Network Part. SAS	France	100%	—	IG	—
SFR Service Client SA	France	100%	—	IG	—
Iris 64 SAS	France	70%	—	IG	—
Manche Telecom SAS	France	70%	—	IG	—
Medi@lys SAS	France	70%	—	IG	—
Teloise SAS	France	70%	—	IG	—
Synerail Exploitation SAS	France	60%	—	IG	—
Inolia SA	France	60%	—	IG	—
Moselle Telecom Part. SAS	France	56%	—	IG	—
Comstell SAS	France	50%	—	IG	—
Alsace Connexia SAS	France	70%	—	IG	—
Moselle Telecom SAS	France	39.2%	—	IG	—
Irisé SAS	France	25%	—	IG	—
Foncière Rimbaud 1 SAS	France	50%	—	ME	—
Foncière Rimbaud 2 SAS	France	50%	—	ME	—
Foncière Rimbaud 3 SAS	France	50%	—	ME	—
Foncière Rimbaud 4 SAS	France	50%	—	ME	—
Dokeo TV SAS	France	50%	—	ME	—
La Poste Telecom SAS	France	49%	—	ME	—
Numergy SAS	France	46.7%	—	ME	—
Synerail Construction SAS	France	40%	—	ME	—
VOD Factory SAS	France	40%	—	ME	—
Fischer Telecom SAS	France	34%	—	ME	—
Synerail SAS	France	30%	—	ME	—
Webwag SAS	France	27%	—	ME	—

35 List of consolidated entities (Continued)

Company	Country Registered office	Interest group 2014	Interest group 2013	Method(1) 2014	Method(1) 2013
Buyster SA	France	25.2%	—	ME	—
Ocealis SAS	France	25%	—	ME	—
AF 83 SAS	France	24.6%	—	ME	—
Sud Partner SARL	France	24%	—	ME	—
Sofialys SAS	France	23.8%	—	ME	—
Idenum SAS	France	21%	—	ME	—
INFRACOS SAS	France	50%	—	IP	—
Oise Numérique SAS	France	100%	—	IG	—
Eure et Loir THD SAS	France	100%	—	IG	—
Valofibre SAS	France	100%	—	IG	—
Virgin sub-group acquired 4 December 2014:					
Omer Telecom LTD	United Kingdom	100%	—	IG	—
Omea Holding SAS	France	100%	—	IG	—
Omea Telecom SAS	France	100%	—	IG	—

(1) IG = Fully consolidated ; ME = Equity Associate ; IP = Interest in Joint Venture
(2) Companies liquidated in 2014
(3) Companies created in 2014

36 Entity consolidating accounts

The consolidated accounts of Numericable-SFR are included in the consolidated accounts of Altice SA, a company listed in the Netherlands.

37 Events after the end of the reporting period

Offer to buy 20% of Numericable-SFR shares held by Vivendi:

On 18 February 2015, Numericable-SFR and its majority shareholder Altice filed a firm offer to buy the 20% interest held by Vivendi in Numericable-SFR, at 40 euros per share, totalling approximately 3.9 billion euros.

On 27 February 2015, Vivendi's Supervisory Board accepted Numericable-SFR's offer, signing final agreements to buy the 20% interest held by Vivendi.

Half of the acquisition will be paid by Numericable-SFR as part of a share repurchase programme combined with cash payment, and the other half will be paid by Altice.

The agreement between Altice and Vivendi also provides that[5]:

(i) Vivendi will pay 116 million euros to Numericable-SFR in application of the price adjustment procedure agreed to between the parties for the acquisition of SFR (out of the 225 million euros claimed by the Group);

(ii) Vivendi permanently waives the potential price supplement of 750 million euros that Numericable-SFR would have owed to Vivendi if EBITDA less Capex had reached 2 billion euros in any fiscal year before 31 December 2024.

5 Additionnal Note to the consolidated financial statements as aproved on March 4, 2015 :
In case the merger between SFR and Vivendi Telecom International (VTI) would be cancelled by the tax authorities, Vivendi also commited to reimburse SFR a maximal amount of €711 million corresponding to the amount paid by SFR to Vivendi within the tax group Vivendi.

38 Condensed consolidated proforma financial information

38.1 Condensed consolidated proforma Income Statement for the 12 months ended 31 December 2014

	Numericable SFR 2014 historical consolidated financial statements	January-November 2014 SFR	January-November 2014 Virgin	Proforma Adjustments		Numericable SFR 2014 proforma financial information
				Amount	Note	
Revenues	2,170	9,047	366	(147)	**6.2.a**	11,436
Operating expenses	(2,062)	(8,501)	(359)	127	**6.2.b**	(10,795)
Operating income	108	546	7	(20)		641
Finance costs, net	(600)	(178)	(2)	(4)	**6.2.c**	(783)
Income tax income (expense)	313	(170)	(2)	9	**6.2.d**	150
Share of net income (loss) of associates	4	(18)	—	—		(14)
Income	(175)	181	3	(15)		(6)
—Attributable to owners of the entity	*(176)*	*172*	*3*	*(15)*	**6.2.e**	*(15)*
—Attributable to non-controlling interests	—	*9*	—	—	**6.2.e**	*9*

38.2 Notes to the condensed consolidated proforma financial statements as at 31 December 2014

Basis of preparation

The condensed consolidated proforma financial information presented below was prepared in accordance with Article 222-2 of the AMF General Regulations and AMF Instruction No.2007-05 relating to proforma financial information.

It includes a condensed proforma income statement for the 12-month period ended 31 December 2014, aiming to present the impact of the Acquisitions of the SFR Group (SFR SA, SIG 50 and their subsidiaries, including Telindus, acquired by the SFR Group on 30 April 2014) and of the Virgin Mobile Group (Omer Telecom Limited and its subsidiaries) and the associated financing, as if the "Transactions" (Acquisitions, financing of Acquisitions and refinancing transactions connected with the acquisitions) had occurred on 1st January 2014.

The proforma financial information is presented by way of example only and does not reflect the transactions or financial position that Numericable SFR would have conducted or attained had the Transactions occurred on 1st January 2014. The proforma financial information does not reflect Numbericable SFR's future operating results or its future financial situation either. It does not include the restructuring and/or consolidation costs that could be incurred following the Acquisitions, and which should not have a sustained impact on the Group.

The proforma financial information does not include tax income/expense that would result from a tax restructuring of the Group.

The condensed consolidated proforma financial information is based on preliminary estimates and assumptions that Numericable SFR considers to be reasonable. In particular, as explained in Note 5.3. the value of goodwill calculated on the acquisitions of SFR and Virgin Mobile was provisional at 31 December 2014 and will be reviewed on the basis of the final measurement of the fair value of the assets acquired and liabilities assumed, which will be reflected by the recognition of certain identifiable acquired assets such as licences, trademarks and customer bases that have a limited lifetime and will be depreciated. Consequently, the Group's future operating results could be impacted significantly by depreciation charges connected with such identifiable acquired assets.

38 Condensed consolidated proforma financial information (Continued)

Only adjustments that can be documented and reliably estimated on the date that the condensed consolidated proforma financial information is prepared are taken into account. For example, the condensed consolidated proforma financial information does not reflect potential cost savings or synergies.

The change in the fair value of derivatives in the proforma information was calculated on the basis of the market conditions and hedges existing in May 2014 when financing the Acquisitions, which is why there are no proforma adjustments in that respect.

The condensed consolidated proforma financial information does not reflect any specific item such as provisions relating to contractual provisions for change of control or any consolidation costs that could be incurred as a result of the Acquisitions. Non-recurring items that are directly attributable to the Transactions and that can be documented and reliably estimated are included in the proforma adjustments.

Historical financial information

The condensed consolidated proforma financial information should be read in conjunction with the Notes to these financial statements. They have been prepared on the basis of:

- These Numericable-SFR consolidated financial statements as at 31 December 2014;
- The combined financial statements of SFR S.A., SIG 50 S.A. and their subsidiaries for the 11-month period ended 30 November 2014 (which have not been audited or subjected to limited review).
- The Virgin Mobile consolidate financial information for the 11-month period ended 30 November 2014. As Virgin Mobile's previous fiscal year ended on 31 March 2014, the financial information for the 11-month period ended 30 November 2014 has been reconstituted from:
  - the consolidated financial statements as at 31 March 2014;
  - the consolidated financial information for the 9-month period ended 31 December 2013 (which has not been audited or subjected to limited review);
  - the consolidated financial information for the 8-month period ended 30 November 2014 (which has not been audited or subjected to limited review).

Intragroup transactions

Following the Acquisitions, all transactions between Numericable-SFR, the SFR Group and the Virgin Mobile Group are considered to be intragroup transactions. Thus, all transactions between Numericable-SFR, the SFR Group and the Virgin Mobile Group have been eliminated when preparing the proforma financial information.

Proforma adjustments

Unless otherwise indicated, the proforma adjustments are determined before any tax impact.

(a) The proforma adjustments to revenues reflect (i) the elimination of intragroup revenues between Numericable SFR, SFR, Virgin Mobile and Telindus totalling 222 million euros and (ii) the inclusion of Telindus Group revenues for the 4-month period between 1st January 2014 and 30 April 2014 in the amount of 75 million euros.

(b) The proforma adjustments to operating expenses reflect mainly (i) the elimination of intragroup transactions between Numericable SFR, SFR, Virgin Mobile and Telindus totalling 204 million euros and (ii) the inclusion of Telindus Group operating expenses for the 4 month period between 1st January 2014 and 30 April 2014 in the amount of 77 million euros.

38 Condensed consolidated proforma financial information (Continued)

(c) The proforma adjustments to financing expenses (additional expense of 4 million euros) include mainly:

- The additional interest, for the period January to May 2014, on the New Financing raised by Numericable-SFR in May 2014 as part of the Acquisitions, totalling 229 million euros (including the amortisation of the cost of arranging new borrowings over their lifetime). The proforma adjustments have been calculated on the basis of the borrowing terms obtained in May 2014 when financing the acquisitions;
- The cancellation of interest relating to Numericable SFR's former Senior Debt which has been refinanced and was repaid early in May 2014. That interest represented 55 million euros for fiscal year 2014.
- The cancellation of interest on SFR's and Virgin's financial debts to their former shareholders which were paid off by Numericable SFR when finalizing the Transactions. These financing expenses represented 170 million euros for fiscal year 2014.

(d) Tax income of 9 million euros has been reflected in the condensed consolidated proforma income statement in line with the proforma adjustments impacting pre-tax income.

(e) None of these adjustments are considered to have an impact on non-controlling interests.

38.3 Proforma revenues per segment

Proforma revenues can be broken down by segment as follows:

	2014 (in millions of euros)
Revenues	
B2C	7,888
B2B	2,223
Wholesale	1,325
Total	**11,436**

38.4 Bridge between proforma operating income and proforma adjusted EBITDA

The following table shows the bridge between the proforma operating income as published in the condensed consolidated proforma income statement, and the proforma adjusted EBITDA.

	December 2014 Numericable SFR	January-November 2014 SFR	January-November 2014 Virgin	Proforma Adjustments	December 2014 Numericable SFR Proforma
Operating income	**108**	**546**	**7**	**(20)**	**641**
Amortisation and depreciation	461	1,465	16	—	1,948
SFR and Virgin acquisition expenses	61[a]	—	—	—	61
Restructuring costs	10	42[c]	—	—	52
Other non-recurring costs	20[b]	196[d]	—	—	216
Costs relating to stock option plans	9[e]	5[e]	—	—	13
Accelerated impairment of asset	22[f]	32[f]	—	—	54
CVAE (Cotisation sur la Valeur Ajoutée des Entreprises), a French business value-added tax	16[g]	56[g]	—	—	72
Other income/expenses	—	43	—	—	43
Adjusted EBITDA	**706**	**2,390**	**24**	**(20)**	**3,100**

38 Condensed consolidated proforma financial information (Continued)

(a) Costs relating to the acquisition of SFR and Virgin Mobile.

(b) Include costs relating to tax audits notified during the fiscal year as well as consultancy fees relating to refinancing transactions by Numericable SFR.

(c) These restructuring costs include transactional indemnities and other costs relating to workforce planning (Gestion Prévisionnelle de l'Emploi et des Compétences/GPEC).

(d) Costs relating to non-recurring litigation borne by SFR for the 11-month period ended 30 November 2014.

(e) Expenses relating to IFRS 2.

(f) Additional depreciation recognised when writing off assets.

(g) The business value added contribution (Cotisation sur la Valeur Ajoutée des Entreprises/CVAE) is restated to the extent that some of the Group's competitors classify this tax, assessed on value added, as an income tax in the sense of IAS 12.

The adjusted EBITDA is a financial indicator that is not defined in IFRS standards and excludes certain items that Numericable SFR considers not relevant to its recurring operating activities or which are not cash. Numericable SFR identified similar adjustments at SFR and Virgin based on the information provided by SFR and Virgin Mobile.

SFR

COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

Vivendi S.A.
Registered office: 42, avenue de Friedland—75008 Paris

Statutory auditors' report on the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries for the years ended 31 December 2013, 2012 and 2011

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional standards applicable in France.

To the Chairman of the Management Board,

In our capacity as Statutory Auditors of Vivendi S.A. and in response to your request, in the framework of the implementation, if applicable, the unbundling project of Media and Telecoms activities of Vivendi Group, we have audited the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries (hereinafter 'the Group') for the years ended December 31, 2013, 2012 and 2011 (hereinafter 'the Combined Financial Statements') as attached to this report.

These Combined Financial Statements have been approved by your Management Board. Our role is to express an opinion on these statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Combined Financial Statements present fairly in all material respects the financial position of the Group as at 31 December 2013, 2012, 2011 and of its financial performance for each of the years then ended, in all material aspects and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Without qualifying our opinion above, we draw your attention to note "Basis of preparation" which describes the particular context, the scope of combination and accounting policies used in the preparation of the Combined Financial Statements.

Paris La Defense, April 11, 2014

The statutory auditors

French original signed by

KPMG Audit *Département de KPMG S.A.*	ERNST & YOUNG et Autres
Frédéric Quélin	Jean-Yves Jégourel

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SFR

Combined Income Statement

	Note	2013	2012	2011
		(in millions of euros)		
Revenues	4.1	**10,199**	**11,288**	**12,183**
Cost of sales		(6,129)	(6,299)	(6,857)
Commercial and distribution costs		(2,199)	(2,222)	(1,932)
Selling, general and administrative expense		(699)	(978)	(1,102)
Other operating income	4.2	2	11	14
Other operating expense	4.2	(169)	(270)	(84)
Operating result		**1,005**	**1,530**	**2,222**
Interest income		3	3	1
Interest expense		(232)	(220)	(209)
Net financing cost		***(229)***	***(217)***	***(208)***
Other financial income	5	2	2	8
Other financial expense	5	(24)	(34)	(70)
Financial income		**(251)**	**(249)**	**(270)**
Income from equity affiliates		(12)	(13)	(17)
Pretax income from continuing operations		**742**	**1,267**	**1,935**
Income tax	6.1	(315)	(516)	(535)
Net earnings		**426**	**752**	**1,400**
of which				
Attributable to shareholders		**420**	**746**	**1,399**
Net earnings from continuing operations		420	746	1,399
Attributable to non-controlling interests		**6**	**6**	**1**
Net earnings from continuing operations		6	6	1

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements.

SFR

Combined Statement of Comprehensive Income

	Note	2013	2012	2011
		(in millions of euros)		
Net earnings		**426**	**752**	**1,400**
Foreign currency translation adjustments		0	—	(1)
Financial instruments/currency hedges		—	—	(2)
Financial instruments/interest rate hedges		—	—	67
Other		—	—	2
Deferred tax		—	—	(23)
Other items related to equity-affiliates		2	(2)	(3)
Items to be subsequently reclassified to earnings		**2**	**(2)**	**40**
Actuarial differences on post-employment benefits	19.2	(7)	(15)	0
Linked taxes		3	5	(0)
Items not to be subsequently reclassified to earnings		**(4)**	**(10)**	**0**
Combined comprehensive income		**424**	**740**	**1,440**
Of which				
Comprehensive income attributable to the shareholders of the Group		418	734	1,439
Comprehensive income attributable to non-controlling interests		6	6	1

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Balance Sheet

	Note	2013	2012	2011
		(in millions of euros)		
ASSETS				
Goodwill	8	5,188	5,188	5,188
Intangible assets	9	3,931	4,082	3,117
Tangible assets	10	4,532	4,468	4,244
Investments in equity affiliates	11	152	138	49
Deferred tax assets	6	127	157	109
Other non-current assets	12	185	161	149
Non-current assets		**14,115**	**14,194**	**12,855**
Inventories	13	240	245	356
Trade accounts receivable and other receivables	14	2,558	2,544	3,015
Other current financial assets	12	2	2	2
Cash and cash equivalents	15	394	267	228
Current assets		**3,194**	**3,057**	**3,601**
TOTAL ASSETS		**17,309**	**17,252**	**16,456**
EQUITY AND LIABILITIES				
Combined reserves		1,860	2,098	1,248
Earnings		420	746	1,399
Shareholders' equity		**2,281**	**2,844**	**2,647**
Non-controlling interests		11	8	4
Combined equity	16	**2,291**	**2,852**	**2,651**
Non-current provisions	18	156	173	137
Long term borrowings and other financial liabilities	20	1,248	1,561	4,490
Deferred tax liabilities	6	2	1	0
Other non-current liabilities	22	540	597	633
Non-current liabilities		**1,947**	**2,333**	**5,259**
Current provisions	18	335	408	236
Short term borrowings and financial liabilities	20	7,846	6,506	2,896
Trade accounts payable and other payables	21	4,874	5,136	5,412
Other current financial liabilities	22	17	17	3
Current liabilities		**13,071**	**12,067**	**8,546**
TOTAL EQUITY AND LIABILITIES		**17,309**	**17,252**	**16,456**

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Cash Flow Statement

	Note	2013	2012	2011
		(in millions of euros)		
Net earnings attributable to the Group		**420**	**746**	**1,399**
Adjustments				
Non-controlling interests		6	6	1
Income tax (current/deferred)	6.1	315	516	535
Other expenses (including capital gain or loss on financial assets divestitures)		2	5	(11)
Net financial expense	5	251	249	270
Earnings from equity-affiliates		12	13	17
Amortization, depreciation and operating provisions		1,549	1,745	1,569
Gains or losses on tangible or intangible assets		8	7	7
Tax paid	6.1	(299)	(537)	(643)
Change in working capital		(305)	143	54
Inventories	13	6	111	(41)
Trade accounts receivable	14	69	203	126
Other receivables	14	(84)	198	(48)
Trade accounts payable	21	(84)	(191)	(80)
Other payables	21	(212)	(178)	97
Net cash flow from (used in) operating activities		**1,960**	**2,892**	**3,197**
Purchase of tangible and intangible assets	9, 10	(1,665)	(2,765)	(1,845)
Purchases of combined companies, after acquired cash		(3)	(30)	(48)
Increase in financial assets		(37)	(15)	(68)
Investments		***(1,705)***	***(2,809)***	***(1,962)***
Proceeds from sales of property, plant, equipment and intangible assets	9, 10	17	13	13
Proceeds from sales of combined companies, after divested cash		10	13	20
Decrease in financial assets		3	3	2
Divestitures		***29***	***30***	***35***
Change in working capital related to PPE and intangible assets		38	15	23
Cash flow from investing activities		38	15	23
Net cash flow from (used in) investing activities		**(1,638)**	**(2,765)**	**(1,903)**
Interest paid	5	(232)	(219)	(209)
Interest received	5	3	3	1
Dividends paid	16	(985)	(538)	(1,458)
Repayments of borrowings (incl. Bonds)	20	(15)	(1,019)	(447)
Change in shareholder advances	20	1,066	2,144	2,142
Change in other financial liabilities	20	(25)	(455)	(1,144)
Other cash flow related to financing activities		(7)	(5)	(40)
Net cash flow from (used in) financing activities		**(195)**	**(89)**	**(1,155)**
Change in cash and cash equivalents		**128**	**38**	**139**
Cash and cash equivalents				
Opening balance	15	267	228	89
Closing balance	15	394	267	228
Change in cash and cash equivalents		**128**	**38**	**139**

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Statement of Changes in Equity

	Combined reserves including earnings	Items of comprehensive income[(a)]	Equity (Group share)	Non-controlling interests	Combined equity
			(in millions of euros)		
BALANCE AT DECEMBER 31, 2010	**2,583**	**(48)**	**2,535**	**10**	**2,545**
Dividends paid	*(454)*	—	*(454)*	*(4)*	*(458)*
Other transactions	*(874)*	—	*(874)*	*(3)*	*(877)*
Dividends and other transactions	**(1,328)**	**—**	**(1,328)**	**(7)**	**(1,335)**
Net income	*1,399*	—	*1,399*	*1*	*1,400*
Income and expenses recognized directly in shareholder's equity[(a)]	—	*40*	*40*	—	*40*
Combined statement of other comprehensive income	**1,399**	**40**	**1,439**	**1**	**1,440**
Total changes over the period	71	40	111	(6)	105
BALANCE AT DECEMBER 31, 2011	**2,654**	**(8)**	**2,647**	**4**	**2,651**
Dividends paid	*(536)*	—	*(536)*	*(2)*	*(538)*
Dividends and other transactions	**(536)**	**—**	**(536)**	**(2)**	**(538)**
Net income	*746*	—	*746*	*6*	*752*
Income and expenses recognized directly in shareholder's equity[(a)]	—	*(12)*	*(12)*	—	*(12)*
Combined statement of other comprehensive income	**746**	**(12)**	**734**	**6**	**740**
Total changes over the period	**209**	**(12)**	**197**	**4**	**201**
BALANCE AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	—	*(982)*	*(3)*	*(985)*
Dividends and other transactions	**(982)**	**—**	**(982)**	**(3)**	**(985)**
Net income	*420*	—	*420*	*6*	*426*
Income and expenses recognized directly in shareholder's equity[(a)]	—	*(2)*	*(2)*	—	*(2)*
Combined statement of other comprehensive income	**420**	**(2)**	**418**	**6**	**424**
Total changes over the period	**(562)**	**(2)**	**(564)**	**3**	**(561)**
BALANCE AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**

(a) Details in the statement of comprehensive income

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Notes to the Combined Financial Statements

Basis of Preparation

These combined financial statements have been prepared by Vivendi, in its capacity of controlling shareholder of the companies SFR and SIG 50, in the context of potential implementation of the plan to separate the Media and Telecoms businesses of the Vivendi Group.

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, as approved for their financial years ending on December 31, 2011, 2012 and 2013, and prepared for the purpose of preparing the consolidated accounts of the Vivendi Group.

These combined financial statements of SFR and SIG 50 and their subsidiaries were approved by the Management board of Vivendi at its meeting on April 8^{th}, 2014.

Context

As they informed the shareholders regularly in 2012 and 2013, Vivendi's Management Board and Supervisory Board have instigated a review of the Group's strategic orientations. In 2013, Vivendi sold the majority of its interest in Activision Blizzard and finalized an agreement with Etisalat for the sale of its shares in Maroc Telecom. The Group decided to concentrate on its media and content businesses, which are in leader positions and are benefiting from a strongly growing digital market. It has strengthened its interest in Canal+ France, in which it now holds 100% of the share capital. Vivendi is also working on the reconfiguration of SFR. The operator is experiencing the first positive effects of its transformation plan, reflecting its benefits at a commercial level while reducing its costs. A network sharing agreement has been concluded with Bouygues Telecom, on part of the mobile network, which will enable it to offer its customers better coverage and improved quality of service. On these bases the Group intends to position the future Vivendi as a dynamic player in media and content. With SFR, it wishes to participate in the reshaping of the telecommunications sector in France by actively exploring all opportunities.

On November 26, 2013, the Supervisory Board approved the appropriateness of the plan to separate the Group into two separate companies: firstly, a new international media group based in France, with very strong positions in music (where it is the worldwide leader), in movies in Europe, in pay-TV in France, Africa, Vietnam and Poland, and in Internet and associated services in Brazil; and secondly the **Telecoms business France**.

Presentation of Telecoms business in France

Telephony business in France comprises mainly:

- the telephony business of SFR SA in France, which is developing mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR SA operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France.

In order to present the historic financial information of the Group for financial years 2013, 2012 and 2011, combined accounts have been drawn up.

Combination scope

The arrangement that constitute the new autonomous group (hereinafter referred to as the "Group") has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi.

As of January 1, 2011, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR SA and its subsidiaries,
- the interest of Vivendi, through SIG 50, in the businesses of distribution of telecommunications products and services, owing to their operational attachment to the business of the Group.

The scope of combination thus excludes the company SPT, held by SFR SA and holder of Maroc Telecom.

The combination scope is presented in Note 27—List of Entities Combined.

Accounting for related to the holding company SPT owning the interest in Maroc Telecom:

- the shares of SPT were cancelled in return for a reduction in equity,
- the dividends received from SPT, net of withholding tax were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR SA to Vivendi SA.

Conventions used when preparing the combined accounts

The combination of entities under common control as envisaged were recorded in the combined financial statements of the Group at historic book values. These historic combined financial statements of the Group were drawn up on the basis of the values presented in Vivendi's Consolidated Financial Statements, restated for consolidation adjustments and the accounting impact of operations to acquire stakes in the France telephony business by Vivendi.

In the absence of a specific IFRS text dealing with combined financial statements, the Group defined the principles and conventions for combination presented hereunder.

The net debt level accepted in these combined financial statements reflects the debt level and its historic compensation levels with regard to the Vivendi Group or third parties of the entities included in the combined accounts.

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts.

All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The operations with the other entities of the Vivendi Group are presented in Note 24—Transactions with Related Parties.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry-forward losses recorded during the period of tax consolidation, and up to December 31, 2013, will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles

1.1. General framework

Pursuant to European Regulation 1606/2002 of July 19, 2002, the basis for preparation set out above describes how the International Financial Reporting Standards (IFRS) as adopted by the European Union were applied to prepare the historic combined financial statements as of December 31, 2011, December 31, 2012 and December 31, 2013.

Note 1. Accounting Principles (Continued)

The new Group has never prepared IFRS financial statements, nor has it published financial statements for previous financial years.

Consequently, as a first-time adopter, the Group has prepared its combined financial statements for the financial year ended December 31, 2013 in accordance with IFRS 1—*First-Time Adoption of International Financial Reporting Standards*.

Under IFRS 1, if a subsidiary adopts IFRS after its parent company, the assets and liabilities in the subsidiary's opening balance sheet may be measured:

- either at the carrying amounts based on the subsidiary's contribution to the parent company's historic consolidated financial statements, after restating adjustments relating to the consolidation and to the impacts of accounting for the business combination as a result of which the parent acquired the subsidiary; or
- at the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the IFRS 1 options applied by the subsidiary may differ from those applied by the parent.

In compliance with the option available under IFRS 1, the Group has chosen to draw up its first IFRS combined financial statements on the basis of the carrying amounts of its assets and liabilities as per its contribution to Vivendi's historic financial statements, taking account of the date of Vivendi's transition to IFRS, after eliminating adjustments relating to the Vivendi group consolidation and to the impacts of accounting for the business combinations as a result of which Vivendi acquired interests in SFR and in distribution activities in France.

The transitional provisions for first-time adoption used by the Group are therefore identical to those applied by the Vivendi group upon its transition to IFRS, i.e.:

- Business combinations: business combinations carried out by Group entities prior to January 1, 2004 (the date of Vivendi's transition to IFRS) are not restated.
- Employee benefits: any unrecognized actuarial gains and losses existing at January 1, 2004 are recognized within consolidated equity.
- Share-based payment: IFRS 2 was retrospectively applied as from the opening balance sheet at January 1, 2004. Accordingly, all share-based payment plans for which the rights had not yet vested at January 1, 2004 are recognized in accordance with IFRS 2.
- Cumulative translation differences: gains and losses resulting from the translation into euros of the financial statements of subsidiaries with a functional currency other than the euro were transferred to consolidated reserves as of January 1, 2004.

Vivendi chose not to adopt the exemption available under IFRS 1 allowing certain intangible assets and property, plant and equipment to be remeasured at fair value on its transition to IFRS.

Standards, amendments and interpretations in force

The combined financial statements of the Group as of December 31, 2013 were drawn up in compliance with IFRS as adopted in the European Union (EU) and in compliance with IFRS as published by the International Accounting Standards Board (IASB), effective as of December 31, 2013.

In its 2013 combined financial statements, the Group applied the following new standards and amendments adopted by the European Union with a mandatory effective date of January 1, 2013:

- Amendments to IAS 1—*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. These amendments deal with the presentation of other comprehensive income ("income and expenses recognized in other

Note 1. Accounting Principles (Continued)

comprehensive income" in the combined statement of comprehensive income), which are now shown according to whether or not they are to be subsequently reclassified to the income statement.

- Amendments to IAS 19—*Employee Benefits*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. The accounting principles and basis of measurement for employee benefits are presented in Note 1.3.15—Employee benefits.
- IFRS 13—*Fair Value Measurement*, providing a definition of fair value in terms of measurement and prescribing required fair value disclosures, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. Its application has no material impact on the bases of measurement used by the Group or on the information disclosed in the notes to its financial statements.
- Amendments to various IFRS standards contained in the Annual Improvements to IFRS 2009-2011, published by the IASB in May 2012, adopted by the EU on March 27, 2013, and published in the EU Official Journal on March 28, 2013.

In its combined financial statements as of December 31, 2013, the Group decided to early adopt the new standards on consolidation: IFRS 10—*Consolidated Financial Statements*, IFRS 11—*Joint Arrangements*, IFRS 12—*Disclosure of Interests in Other Entities*, and IAS 28—*Investments in Associates and Joint Ventures*, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. These standards are effective as of January 1, 2014 in the European Union.

The principles relative to methods of combination introduced by these new standards are presented below in Note 1.3.2—Basis of combination.

New IFRS standards and IFRIC interpretations published but not yet in force

The other main IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC but not yet in force, which the Group has not early adopted and which are likely to affect the Group, include IFRIC 21—*Levies*, published by the IFRS IC on May 20, 2013. The effective date of IFRIC 21 is not yet known since it has not yet been adopted by the EU. The application of this interpretation could lead to changes in the timing of recognition of liabilities for taxes.

The Group is in the process of analyzing the potential impacts of IFRIC 21 on its combined financial statements and on the contents of the notes to the combined financial statements.

Furthermore, the Group is monitoring changes to IFRS 9—*Financial Instruments*, which is intended to replace IAS 39. The IASB has provisionally decided to defer the mandatory effective date of the standard (initially planned for 2015), without deciding on another date.

1.2. Presentation of the combined financial statements

1.2.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income (expenses), share of profit of associates (companies accounted for under the equity method), income tax and profit.

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non-recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Note 1. Accounting Principles (Continued)

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

1.2.2. Combined other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and shown separately according to whether or not they will be subsequently reclassified to income.

1.2.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.2.4. Combined statement of cash flows

Net cash flow from (used in) operating activities

To determine the net cash flow from (used in) operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from (used in) investing activities

Net cash flow from (used in) investing activities includes acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from (used in) financing activities

Net cash flow from (used in) financing activities includes increases and decreases in loans, changes in amounts owed to Vivendi SA, dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.2.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group's operational performance.

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

Note 1. Accounting Principles (Continued)

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

1.2.6. Segment information

In light of prevailing trends in the Group's business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief operating decision-maker verifies results and operating plans and decides on the allocation of resources at Group level. The Group has identified a single operating segment meeting the criteria of IFRS 8.

Similarly, since virtually all of the Group's business is carried out on French territory, a single geographic segment has been identified.

This presentation could be modified in the future to reflect developments in the Group's businesses and operating criteria.

1.3. Basis of preparation of the combined financial statements

1.3.1. Use of estimates

Preparation of the combined financial statements in compliance with IFRS requires the Group to make certain estimates and assumptions that it deems reasonable and realistic. Even though these estimates and assumptions are regularly reviewed, particularly on the basis of past experience and forecasts, certain facts and circumstances may lead to changes in these estimates and assumptions, which could affect the carrying amount of the Group's assets, liabilities, equity and profit.

The main estimates and assumptions used relate to the measurement of:

- Provisions: risks are estimated on a case-by-case basis, on the understanding that developments in current events may require the risks to be reassessed at any time (see Notes 1.3.14 and 18).
- Employee benefits: assumptions are updated annually, such as the probability that employees will remain employed by the Group up to their retirement, expected changes in future compensation, discount rate and inflation rate, and life expectancy (see Notes 1.3.15 and 19).
- Goodwill: intangible assets with indefinite useful lives and fixed assets under construction: assumptions are updated annually within the framework of impairment tests and relate to cash-generating units (CGUs), future cash flows and discount rates (see Notes 1.3.6 and 8).
- Deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually on the basis of the Group's expected future taxable income or probable changes in temporary differences for assets and liabilities (see Notes 1.3.16 and 6).
- Revenues: the separable elements of a bundled offer must be identified and allocated according to the fair values of each component; the period over which revenues linked to costs of accessing services should be recognized is to be determined based on the type of product and duration of the contract; and revenues are to be presented either on a net or gross basis according to whether the Group acts as agent or principal (see Notes 1.3.4 and 4.1).
- Intangible assets and property, plant and equipment: estimates of useful lives are based in particular on the effective obsolescence of fixed assets and the use made of those assets (see Notes 1.3.7 and 9, and Notes 1.3.8 and 10).

Note 1. Accounting Principles (Continued)

1.3.2. Basis of combination

The list of combined entities is presented in Note 27—List of combined companies.

Controlled entities

The new model of control introduced by IFRS 10 to replace the revised IAS 27—*Consolidated and Separate Financial Statements* and interpretation SIC 12—*Consolidation—Special Purpose Entities*, is based on the following three criteria, which must be met simultaneously to conclude that control is exercised by the parent company:

- The parent company holds power over the investee when it has effective rights giving it the current ability to direct the relevant activities of the investee, namely activities which have a significant impact on the investee's profitability. Power may result from existing and/or potential voting rights and/or contractual agreements. Voting rights must be substantial, i.e., they must be able to be exercised at any time without limitation, and particularly in connection with decisions relating to key activities. The assessment of whether or not an entity exercises control depends on the nature of the investee's relevant activities, the investee's decision-making process, and the distribution of rights of other shareholders of the investee.
- The parent company is exposed to, or has rights, to variable returns from its involvement with the investee, which may vary according to the investee's performance. The concept of returns is defined broadly, and includes dividends and other types of economic benefit distributed, changes in the value of the investment, cost savings, synergies, etc.
- The parent company has the capacity to exercise its power in order to influence the returns. Power which does not lead to such influence over these returns cannot be defined as control.

Controlled entities are combined in accordance with the full consolidation method.

Full consolidation method

This consists of including in the combined financial statements the asset, liability, income, expense and cash flow items of the companies controlled within the meaning of IFRS 10; making the necessary restatements; and eliminating intragroup transactions and accounts along with intragroup gains and losses. Equity and profit are allocated between the portion attributable to owners of the parent company and the portion attributable to non-controlling interests.

The combined income statement includes the results of subsidiaries acquired during the financial year as from the date of their acquisition. The results of subsidiaries sold during the same period are taken into account up to the date of their sale.

Non-controlling interests in the net assets of the subsidiaries are presented on a separate line of equity under "Non-controlling interests". They include the amount of non-controlling interests at the date control was acquired and the share of non-controlling interests in changes in equity as from this date. Except in the case of a contractual agreement specifying otherwise, losses of subsidiaries are systematically divided between equity attributable to owners of the parent company and non-controlling interests, on the basis of their respective percentages of interest, even if these are negative.

Joint Arrangements

IFRS 11—*Joint Arrangements,* which replaces IAS 31—*Interests in Joint Ventures* and interpretation SIC 13—*Jointly Controlled Entities—Non-Monetary Contributions by Venturers*, aims to establish the principles for financial reporting by entities with interests in jointly controlled companies (joint arrangements).

In a joint arrangement, the parties are bound by a contractual agreement that gives them joint control of the arrangement. An entity that is party to an arrangement must therefore determine whether the

Note 1. Accounting Principles (Continued)

contractual agreement gives all or certain parties joint control of the arrangement. The existence of joint control is then determined if decisions concerning the relevant activities require the unanimous consent of the parties jointly controlling the arrangement.

Joint arrangements are classified into two categories:

- Joint operations: these are joint arrangements whereby the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangements. Those parties are called joint operators. The joint operator recognizes the full amount of its assets, liabilities, income and expenses, including the share of any such elements held jointly. These arrangements concern joint investment contracts signed by the Group.
- Joint ventures: these are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement. Those parties are called joint venturers. Each venturer accounts for its interest in the net assets of the venture in accordance with the equity accounting method (see the section dealing specifically with the equity accounting method).

Associates

Associates over which the Group exercises significant influence are accounted for by the Group under the equity method (see the section dealing specifically with the equity accounting method).

Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of an entity, except where it is clearly demonstrated that this is not the case. Significant influence can also be indicated by representation on the board of directors or on the management board of the entity held, by participation in its policy-making process, by material transactions with the entity, or by interchange of managerial personnel between the Group and the entity.

Equity accounting method

According to the equity accounting method, interests in associates and joint ventures are recorded on the balance sheet at their cost of acquisition, including goodwill and transaction costs. Earn-outs initially measured at fair value and subsequent adjustments are recorded as part of the cost of the investment, when their payment can be measured with sufficient reliability.

The Group’s share in the profit or loss of associates and joint ventures is recognized in the income statement, and its share in movements of reserves after the acquisition is recognized in reserves. Movements after the acquisition are recorded as an adjustment to the value of the investment. The Group’s share in the losses recorded by an associate and joint venture is recorded to the extent of its investment, except where the Group has a legal or implicit obligation to support the company.

Goodwill is recognized if the acquisition cost exceeds the Group’s share in the net fair value of the associate’s identifiable assets, liabilities, and contingent liabilities at the date of acquisition. Goodwill is included in the carrying amount of the investment and is taken into consideration in the impairment test relative to this asset.

1.3.3. Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currency are initially recorded in the functional currency of the entity at the exchange rate in force on the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. All resulting translation differences are taken to profit or loss for the period.

Note 1. Accounting Principles (Continued)

Translation of financial statements of foreign companies

The financial statements of foreign companies whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the closing exchange rate;
- income statement and cash flow items are translated at the average exchange rate for the financial year.

The resulting translation adjustments are recorded directly in “Cumulative translation adjustments” under equity. When the net investments in foreign operations are subsequently sold, the related cumulative translation differences carried in equity are taken to profit or loss.

1.3.4. Revenues

Group revenues are recognized as soon as future economic benefits are likely to flow to the Group and the revenues can be measured reliably.

Group revenues principally comprise sales of equipment, provision of services and rental of telecommunications equipment.

Sales of equipment

Proceeds from the sale of handsets are recognized in revenues when the risks and rewards inherent to ownership are transferred to the buyer.

Separable elements of a bundled offer

Revenues from telephone packages are recorded as a sale with multiple components. Revenues from sales of handsets (mobile phones and other) are recorded upon activation of the line, net of discounts granted to the customer via the points of sale and the costs of activation.

Other acquisition and retention costs, consisting in particular of premiums not associated with sales of handsets as part of telephone packages and commissions paid to distributors, are recorded in administrative and commercial expenses.

When elements of these transactions cannot be identified or analyzed separately from the main offer, they are considered as related elements and the associated revenues are recognized in full over the duration of the contract or the expected duration of the customer relationship.

Provision of services

Revenues from internet access subscriptions or telephone call plans (fixed or mobile) are recorded on a straight-line basis over the duration of the corresponding service.

The Group sells certain telephone subscriptions based on plans under which the call minutes for a given month can be carried over to the next month if they are not used. The minutes carried over are recorded based on the proportion of total telephone subscription revenues they represent, when the minutes are used or when they expire.

Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided.

Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.

Note 1. Accounting Principles (Continued)

Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18, and in particular when the content providers are responsible for the content and determine the pricing applied to the subscriber.

The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to ADSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.

Revenues linked to switched services are recognized each time traffic is routed.

Revenues from bandwidth, IP connectivity, high-speed local access and telecommunications services are recorded as and when the services are delivered to the customers.

Access to telecommunications infrastructures

The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use ("IRU"). The IRU contracts grant the use of an asset (ducting, fiber optic or bandwidth) for a specified—generally long—period. The Group remains the owner of the asset. Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.

In the case of IRUs, and sometimes rentals or service agreements, the service is paid in advance in the first year. These prepayments, which are non-refundable, are recorded in prepaid income and amortized over the expected term of the related agreements. Amortization is provided over a period of between 10 years and 25 years for IRUs and between 1 year and 25 years for rentals and service agreements.

Sales of infrastructure

The Group builds infrastructure on behalf of certain clients. Since the average duration of the construction work is less than one year, the revenues are taken into account when ownership is transferred. Revenues relative to sales of infrastructures are taken into account when ownership is transferred. A provision is recognized when any contracts are expected to prove onerous.

Loyalty programs

Pursuant to interpretation IFRIC 13, the Group measures the fair value of the incremental benefit granted under loyalty programs. Since this fair value was not material for the periods presented, no revenues have been deferred in this respect.

1.3.5. Cost of sales, and commercial and distribution costs

Cost of sales comprises the purchase cost of goods acquired (including handsets), interconnection costs, network costs and the share of personnel costs and related taxes and duties.

Commercial and distribution costs represent advertising and marketing costs, commercial costs, and customer loyalty and management costs, and are recorded in expenses as incurred.

1.3.6. Goodwill and business combinations

Business combinations after January 1, 2009

Business combinations are recorded under the acquisition method.

The acquisition price (also called "consideration transferred") of a subsidiary is the sum of the fair values of the assets transferred and the liabilities assumed by the purchaser on the date of acquisition

Note 1. Accounting Principles (Continued)

and the equity instruments issued by the purchaser. The acquisition price includes any earn-outs recognized and measured at acquisition-date fair value.

Earn-outs are recorded initially at fair value, with subsequent changes in fair value taken to profit or loss.

Any costs directly attributable to the acquisition are recorded in expenses in the period in which they are incurred.

At the date of acquisition, goodwill is determined as the difference between:

- the fair value of the consideration transferred, plus any non-controlling interest in the company acquired; and
- the net balance of identifiable assets acquired and liabilities assumed at their acquisition-date fair value.

The initial valuation of the acquisition price and the fair values of the assets acquired and liabilities assumed must be finalized within 12 months of the date of acquisition (measurement period), and any adjustment is recorded as a retroactive adjustment to goodwill. Beyond the measurement period, adjustments are recorded directly in profit or loss. For each business combination, the Group can decide whether to recognize the share of non-controlling interests:

- at fair value on the date of acquisition, whereby goodwill is recognized on these non-controlling interests (full goodwill method); or
- on the basis of its share in the net identifiable assets of the acquired company measured at fair value, whereby only goodwill attributable to owners of the parent company is recognized (partial goodwill method).

Negative goodwill is recorded directly in profit or loss on the income statement.

Goodwill is not amortized but is tested for impairment whenever there is an indication that it may be impaired, and at least once a year at the reporting date. Subsequently, goodwill is measured at its original amount, less any cumulative impairment losses recorded (see Note 8.3—Goodwill impairment tests).

The following principles apply to business combinations:

- In the event of a business combination carried out in stages (step acquisition), the purchaser must remeasure any previously-held equity interest at its fair value on the date of acquisition, and record the resulting gain or loss in the income statement.
- In the event of the acquisition of an additional interest in a subsidiary, the Group records the difference between the acquisition price and the carrying amount of the non-controlling interests within changes in equity attributable to owners of the parent.

Business combinations prior to January 1, 2009

In compliance with IFRS 1, the Group has chosen not to restate business combinations that took place prior to January 1, 2004. The acquisition method of accounting for business combinations was already accepted by IFRS 3 as published by the IASB in March 2004. However, there are several key differences with the revised standard:

- Minority (non-controlling) interests are measured on the basis of their share in the net identifiable assets of the entity acquired and no fair value option exists.
- Any adjustments to the acquisition price are recorded in the cost of the acquisition only if they are likely to occur and the amounts can be measured reliably.
- Costs directly attributable to the acquisition are recorded as part of the cost of the combination.

Note 1. Accounting Principles (Continued)

- In the event of the acquisition of an additional interest in a combined subsidiary, the difference between the cost of the acquisition and the carrying amount of the minority (non-controlling) interests acquired is recorded in goodwill.

1.3.7. Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recorded at their historical cost less accumulated amortization and impairment losses.

Intangible assets acquired as part of a business combination are recorded at their fair value on the date of acquisition. After initial recognition, intangible assets are recorded at historical cost.

Operating licenses

Operating licenses for telephony services on French territory are recorded based on the fixed amount paid upon acquisition of the license. The variable portion of the license fees, amounting to 1% of the revenues generated by these activities, cannot be reliably measured and is therefore recorded in expenses for the period in which it is incurred.

- The UMTS license is recorded at its historical cost and is amortized on a straight-line basis as from June 2004 (when the service starts) until the end of the licensing period (August 2021), which is its expected useful life.
- The GSM license, renewed in March 2006, is recorded at present value based on 4% of the annual fixed fee of €25 million and is amortized on a straight-line basis from this date until the end of the licensing period (March 2021), which is its expected useful life.
- The LTE license is recorded at its historical cost and is amortized on a straight-line basis as from the date the service starts until the end of the licensing period. The license concerning the 2.6 GHz band, acquired in October 2011, has been amortized since the end of November 2012 (end of licensing period: October 2031). The license concerning the 800 MHz band, acquired in January 2012, was activated on June 3, 2013 and will be amortized over a residual period of 18 years (end of licensing period: January 2032).

Other intangible assets acquired

The costs of identifying sites for relay antennas are capitalized and amortized over their useful life, which is generally ten years and corresponds to the estimated average duration of a lease.

Investments made in the context of concessions or public service contracts, and linked to the rollout of the telecommunications network, are recorded in intangible assets in accordance with interpretation IFRIC 12. The "intangible asset" model stipulated by this interpretation applies when the concession holder receives a right to bill users of the public service and the concession holder is essentially paid by the user. These intangible assets are amortized over the shorter of the estimated useful life of the categories of assets in question and the duration of the concession.

Intangible assets also comprise rights of way or access rights obtained. Amortization is generally calculated on a straight-line basis over the shorter of the contractual term and 30 years.

DSL connection costs (service access costs or SAC) billed by the local network operator on setting up unbundling for a customer are capitalized and amortized over the estimated period in which the economic benefits are expected to be consumed, i.e., between two and four years.

Intangible assets generated internally

Intangible assets generated internally are recorded at their historical cost less accumulated amortization and impairment losses.

Note 1. Accounting Principles (Continued)

Research costs are expensed as incurred. Development expenses are capitalized when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset;
- its intention to complete the asset and use or sell it;
- the availability of adequate technical and financial resources to complete the asset;
- its ability to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Trademarks and market shares generated internally are not recognized as intangible assets.

Capitalized development costs relating to computer software represent the costs incurred in developing products in-house. Development costs relating to computer software are capitalized when the technical feasibility can be demonstrated and the costs are considered to be recoverable.

Internal and external direct costs incurred to develop software for internal use are capitalized during the software's development phase. The costs resulting from the software's development phase generally include configuration of the software, coding, installation and testing. The costs of major upgrades and improvements that result in additional functionalities are also capitalized. These capitalized costs are amortized over four to eight years.

Subsequent expenses relative to intangible assets are capitalized only if they increase the future economic benefits associated with the corresponding specific asset. Other costs are expensed as incurred.

Borrowing costs

Since the method of rolling out intangible assets in stages does not generally involve a long period of preparation, the Group does not generally capitalize the borrowing costs incurred during the acquisition or production of intangible assets.

1.3.8. Property, plant and equipment

Property, plant and equipment are recorded at their historical cost less accumulated depreciation and impairment losses. Historical cost includes acquisition or production cost, any costs directly attributable to bringing the asset to the necessary location and condition, and the estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent of the obligations incurred. Borrowing costs that are directly attributable to assets requiring over one year to be ready for their intended use are capitalized as part of the cost of property, plant and equipment.

However, subsequent upkeep costs (repairs and maintenance) relating to property, plant and equipment are recorded in profit or loss. Other subsequent expenditure that helps to increase the productivity or useful life of the asset are recorded as part of the cost of that asset.

When an item of property, plant and equipment consists of significant components with different useful lives, the components are recorded and depreciated separately. Depreciation is calculated on a straight-line basis over the useful life of the asset.

In the specific case of Net center buildings, the depreciable amount takes account of a residual value at the end of the useful life.

Property, plant and equipment principally comprise network equipment.

Note 1. Accounting Principles (Continued)

Useful lives are as follows:

Buildings, incl. technical buildings	15 to 25 years
Fixtures, fittings and furniture	5 to 10 years
Equipment and industrial tools	5 years
Set-top boxes and access costs	4 years
Network equipment:	
—Fiber optic/FTTH	50 years
—Pylons	20 years
—Other network equipment	4 to 8 years
Miscellaneous equipment	3 to 5 years

The estimated useful lives are regularly reviewed and any changes to estimates are recorded on a prospective basis.

Depreciation expense is recorded in either cost of sales, commercial and distribution costs, or general expenses according to the function of the asset to which it relates.

Telecommunications equipment and hardware are investments which are largely affected by technological developments: retirements or accelerated depreciation may be recorded if the Group has to retire certain technical models earlier than expected or if it has to review the estimated useful life of certain categories of equipment.

The costs of links and connections are classified as property, plant and equipment. These costs are depreciated over their useful life, i.e., eight years.

Commercial contracts under which the Group supplies telecommunications capacity are analyzed in light of interpretation IFRIC 4—*Determining Whether an Agreement Contains a Lease*:

- Indefeasible Rights of Use ("IRU") contracts grant the use of an asset over a specified term. IRU contracts that grant a specific right of use over a determined part of the underlying asset in the form of fibers or dedicated wavelengths are treated as leases. IRU contract costs are capitalized if the duration of the right granted is for the majority of the useful life of the underlying asset, and are depreciated over the term of the contract.
- Some commercial contracts to provide capacity are defined as service agreements since in general no specific asset is made available in such contacts. Contractual fees are recorded in expenses over the period.

FTTH rollout

Decision No. 2009-1106 of the *Autorité de Régulation des Communications Electroniques et des Postes* (ARCEP) [French Post and Electronic Communications Regulation Authority] dated December 22, 2009 governs the rollout of fiber optic in very densely populated areas by creating joint investment rules for telephone operators. The reference offers published by the operators in compliance with the provisions of this decision are covered by IFRS, specifically IFRS 11—*Joint Arrangements*. Thus, when the Group is joint investor from the outset, only its share of the assets is kept in property, plant and equipment, and when it is an investor *a posteriori*, the IRU or right of use is recorded in property, plant and equipment. The same treatment is applied to joint investments in less dense populated areas as defined by the ARCEP.

Finance lease agreements

Lease agreements for property, plant and equipment for which substantially all risks and rewards inherent to ownership are transferred to the Group are considered as finance lease agreements.

Property, plant and equipment acquired under finance leases are recorded in property, plant and equipment with a matching entry to a liability account. Assets acquired under finance leases are capitalized based on the lower of the present value of future lease payments and market value, and

Note 1. Accounting Principles (Continued)

the corresponding liability is recorded in “Borrowing and other financial liabilities”. These assets are generally depreciated on a straight-line basis over their estimated useful life, corresponding to the useful life applied to assets of the same type owned outright, or, if the duration of the lease is shorter than the useful life of the asset leased and if it is not reasonably certain that ownership of the asset will be transferred to the lessee at the end of the lease term, over the duration of the lease.

Site dismantling and restoration

The Group has a contractual obligation to dismantle and restore the sites of its mobile and fixed network upon expiry of a lease, if the lease is not renewed. In light of this obligation, site restoration costs are capitalized on the basis of:

- an average unit cost of restoring sites;
- assumptions concerning the lifespan of the dismantling asset; and
- a discount rate.

Investment subsidies

Investment subsidies received are recorded on the balance sheet as a deduction from the property, plant and equipment to which they relate. Investment subsidies are taken to profit or loss in line with the depreciation charged against the assets financed.

1.3.9. Impairment of goodwill, property, plant and equipment and intangible assets

The Group reviews the carrying amount of goodwill, other intangible assets, property, plant and equipment and assets under construction each time events or changes in the market environment indicate that they may be impaired. Goodwill, intangible assets with indefinite useful lives and intangible assets under development are tested for impairment in the fourth quarter of each financial year.

The impairment test consists of comparing the recoverable amount of a fixed asset or cash-generating unit (CGU) with its carrying amount. If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount is written down to the recoverable amount and the impairment loss is immediately recorded in the income statement under other operating expenses. In testing goodwill allocated to a CGU or group of CGUs for impairment, the impairment loss is charged first to the carrying amount of goodwill and then to the other assets pro rata to their carrying amount.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. If an asset does not generate cash inflows that are largely independent of cash inflows generated by other assets or groups of assets, recoverable amount is determined by reference to cash-generating units.

Group management monitors the return on investment relating to its acquisitions on an aggregate basis at Group level. This operating entity is the only CGU at the level of which the impairment tests are carried out.

Recoverable amount is determined as the higher of value in use and fair value less costs to sell.

The value in use of each asset or group of assets is determined using the discounted cash flows method (DCF), based on cash flow projections consistent with the most recent budget and business plan approved by management over periods spanning one to six years. The growth rates used to value the CGU are those used when preparing the CGU’s budget and the business plan. For subsequent periods, the growth rates are estimated by the Group by extrapolating the rates used in the budgets and business plans. These rates do not exceed the medium- to long-term growth rates for the markets in which the Group operates. The discount rates used reflect current assessments by market participants of the time value of money and the risks specific to each asset or group of assets.

Note 1. Accounting Principles (Continued)

Fair value less costs to sell corresponds to the amount that could be obtained from the sale of an asset or group of assets between knowledgeable, willing parties in an arm's length transaction, less the costs of the sale. These amounts are determined by reference to market data (comparison with similar listed companies, with the value attributed to similar assets or companies during recent transactions, or stock market prices) or otherwise using the discounted cash flow method.

Impairment losses recorded against property, plant and equipment and intangible assets (excluding goodwill) may be reversed at a later date if the recoverable amount becomes once again higher than the carrying amount. However, the increased carrying amount attributable to the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. Impairment losses recorded against goodwill are irreversible.

1.3.10. Non-derivative financial assets

In accordance with IAS 39, financial assets are classified in one of the following four categories:

- assets at fair value through profit or loss;
- held-to-maturity assets;
- loans and receivables;
- financial assets available for sale.

In accordance with IFRS 7, the information provided in the notes to the financial statements concerning financial instruments enables:

- the items to be reconciled with those presented in the balance sheet;
- the importance of financial instruments to be assessed in light of the Group's situation and financial performance;
- the nature and extent of the Group's exposure to risks arising on financial instruments to be assessed at the end of the reporting period.

Purchases and sales of financial assets are recorded at the transaction date, which is the date on which the Group has committed to the purchase or sale of assets. A financial asset is derecognized if the contractual rights to the related cash flows expire or if the asset is transferred.

At the time of initial recognition, financial assets are recorded on the balance sheet at their fair value, plus any transaction costs directly attributable to the acquisition or issuance of the asset (except for financial assets at fair value through profit or loss, for which transaction costs are recorded in profit or loss).

The fair value of the principal financial assets and liabilities on the Group's balance sheet was calculated as detailed in Note 23—Financial instruments.

A financial asset is defined as current when the maturity of the cash flows expected to derive from the instrument is less than one year.

Financial assets at fair value through profit or loss

These are financial assets held for trading purposes and intended to be resold in the near term.

Gains and losses resulting from changes in the fair value of financial assets in this category are recorded in profit or loss in the period in which they occur.

The main financial assets at fair value through profit or loss include UCITS.

The large majority of these assets are classified on the balance sheet under cash and cash equivalents.

Note 1. Accounting Principles (Continued)

Held-to-maturity financial assets

Financial assets held until maturity are non-derivative financial assets other than loans and receivables that have fixed or determinable payments and fixed maturity and which the Group has the intention and ability to hold to maturity. After their initial recognition, they are carried at amortized cost using the effective interest rate method.

The main held-to-maturity financial assets include financial assets linked to the Qualified Technology Equipment (QTE) operations settled in 2012. These assets are classified on the balance sheet as non-current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. These assets are recognized at amortized cost using the effective interest rate method.

This category principally includes trade accounts receivable and other receivables detailed in Note 14—Trade accounts receivable and other receivables, along with the other assets such as guarantee deposits and advances to associates mentioned in Note 12—Other current and non-current assets.

Trade accounts receivable and other receivables are initially recorded on the balance sheet at their fair value. Due to their fairly short maturities, the fair value of these items generally corresponds to their nominal value, except when the impact of discounting is material.

Trade accounts receivable resulting from the Group's commercial offers include certain past-due receivables that have been impaired according to the rules defined by the Recovery and Litigation department. The impairment rates used differ according to the category of clients and/or offers, and are regularly updated to reflect the latest trends and in particular, recovery history. Where applicable, impairment may be recognized against other receivables based on the estimated risk of non-recovery.

Financial assets available for sale

Financial assets available for sale include non-derivative financial assets which are designated as available for sale or are not allocated to other categories of financial assets.

Financial assets available for sale are recorded at their fair value. Gains and losses on financial assets available for sale are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that it has suffered a material and other-than-temporary loss in value, on which date the cumulative gains and losses carried in other comprehensive income are reclassified to the income statement.

This category includes non-combined equity securities. These assets are classified on the balance sheet under non-current financial assets.

Impairment of non-derivative financial assets

An impairment loss is recorded on an asset or a group of financial assets if there is an objective indication of impairment resulting from one or more events occurring after the initial recognition of the asset, and these events have a negative impact on the future cash flows expected to derive from the financial asset or group of financial assets.

Impairment recognized against a financial asset at amortized cost corresponds to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the effective original interest rate.

Impairment recognized against a financial asset available for sale is calculated by reference to its fair value.

An impairment test is carried out on each material financial asset. Other assets with similar risk characteristics are grouped together for impairment testing purposes.

Note 1. Accounting Principles (Continued)

Impairment losses are recognized in profit or loss. Where impairment is charged against assets available for sale, the cumulative negative changes in fair value previously recognized in equity are transferred to profit or loss.

Impairment is reversed if the reversal can be objectively linked to an event occurring after it was recognized. Reversals of impairment charged against financial assets carried at amortized cost and financial assets available for sale representing interest rate instruments are recognized in profit or loss. Reversals of impairment charged against financial assets available for sale representing equity instruments are recorded directly in equity.

Impairment relative to assets recognized at cost may not be reversed.

1.3.11. Inventories

Inventories principally comprise packs (mobiles associated with a right to access SFR services), individual mobile phones, ADSL boxes and accessories.

Inventories are carried at the lower of cost and net realizable value. Cost principally comprises purchase costs and other supply costs, and is calculated in accordance with the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to complete the sale.

1.3.12. Cash and cash equivalents

The “Cash and cash equivalents” caption includes bank balances, monetary UCITS which meet the specifications of AMF position No. 2011-13 and highly liquid short-term investments with an initial maturity of three months or less, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

Marketable securities are carried at fair value through profit or loss.

1.3.13. Non-derivative financial liabilities

Financial liabilities include bond debt, amounts payable to Vivendi SA, commitments to purchase non-controlling interests, and other borrowings such as commercial paper, syndicated loans and finance lease liabilities. Financial liabilities also include other non-derivative financial liabilities.

Borrowings

The loans taken out by the Group are initially recorded at their fair value less any directly attributable costs. Subsequent to initial recognition, they are carried at amortized cost using the effective interest rate method. Issue premiums and issue costs are presented under liabilities on the balance sheet as a deduction of the nominal amount of the liability. Under this method, interest expense is recognized on an actuarial basis over the duration of the loan.

Other non-derivative financial liabilities

Other non-derivative financial liabilities comprise trade accounts payable and other payables, which are carried at their fair value on initial recognition. In light of their fairly short maturities, the fair value of other non-derivative financial liabilities mostly corresponds to their nominal value. These items are subsequently carried at amortized cost.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risk of changes in foreign exchange rates. These instruments include foreign exchange futures. All derivative financial instruments are recorded on the balance sheet at their fair value at the transaction date and are remeasured to fair value at the end of each reporting period.

Note 1. Accounting Principles (Continued)

The principal hedging instruments and the calculation of the fair value of derivative instruments are detailed in Note 23—Financial instruments.

1.3.14. Provisions

Provisions are recorded when, at the end of the period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events; it is probable that an outflow of resources representing economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.

If the effect of the discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time value of money. If no reliable estimate of the amount of the obligation can be made, no provision is recorded and information is provided in the notes.

Provisions mainly include:

- provisions intended to cover disputes and litigation arising in the ordinary course of the Group's operations. The estimated amount of these provisions is based on assessment of the level of risk on a case-by-case basis. The occurrence of events during proceedings may require these provisions to be re-estimated at any time;
- provisions for restructuring, which are booked when the restructuring has been announced and a detailed plan has been drawn up or its implementation begun. These provisions are not generally discounted owing to their short-term nature;
- provisions for site dismantling and restoration, which are assessed on the basis of the number of sites in question, an average unit cost of restoring sites and assumptions regarding the useful life of the dismantling asset and discount rate. When a site is dismantled, the corresponding provision is written back;
- provisions for employee benefits, which are detailed in the section below.

1.3.15. Employee benefit schemes

Pursuant to obligations resulting from French legislation and company agreements, the Group offers its employees retirement benefits that can take the form of an indemnity payment upon retirement, or pensions.

For defined benefit schemes, a net liability is recorded on the balance sheet. This liability is determined by independent actuaries using the projected unit credit method. This method is based on assumptions which are updated annually, such as the probability that beneficiaries will continue to be employed by the Group on retirement, expected changes in future compensation and associated contributions, and an appropriate discount rate.

In terms of funding for these schemes, the Group has taken out insurance contracts aimed at outsourcing some or all of its obligations.

If these plan assets exceed the obligations recorded, a financial asset is recognized within the limit of the present value of future repayments and expected reductions in future contributions to the plan.

The Group records de facto employee benefit assets and liabilities together with the corresponding net expense over the entire estimated service lives of employees. Actuarial gains and losses relative to post-employment benefits are recognized in full in "Other comprehensive income" when they arise.

The cost of the schemes is recorded in operating profit, with the exception of the cost of unwinding the discount and the theoretical return on plan assets, which are recorded in other financial income and expenses.

All past service costs relating to plan changes and curtailments are immediately recorded on the income statement.

Note 1. Accounting Principles (Continued)

1.3.16. Income Tax

The Group calculates its income taxes in compliance with the tax legislation in force in the countries where earnings are taxable.

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable profit. Management periodically evaluates the tax positions taken with regard to applicable tax legislation when this is subject to interpretation, and where appropriate, determines the amounts it expects to pay to the tax authorities.

Differences at the end of the reporting period between the carrying amount of assets and liabilities in the balance sheet and their tax base represent temporary differences. In accordance with the balance sheet liability method, these temporary differences give rise to the recognition of:

- deferred tax assets, when the value of an asset for tax purposes is higher than its carrying amount and when the value of a liability for tax purposes is lower than its carrying amount (expected future tax benefit); or
- deferred tax liabilities, when the value of an asset for tax purposes is less than its carrying amount or when the value of a liability for tax purposes is higher than its carrying amount (expected future tax expense).

Deferred tax assets and liabilities are determined on the basis of the tax rates and tax laws expected to apply in the financial year in which the asset will be realized or the liability settled. These estimates are reviewed at the end of each reporting period in order to reflect any changes to the applicable tax rates.

Deferred tax assets are recorded for all deductible temporary differences, tax loss carryforwards and unused tax credits; to the extent that it is likely taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, where applicable, adjusted to take account of the probability that taxable profit will be available against which they can be utilized. To assess the probability that taxable profit will be available, elements taken into account include the Group's earnings in previous years, future profit forecasts, and non-recurring items that are not likely to recur in the future. Accordingly, any assessment of the Group's ability to utilize its deferred tax assets is largely based on judgment. If the Group's future taxable earnings prove significantly different to those anticipated, the Group would be obliged to adjust the carrying amount of the deferred tax assets and this could have a significant impact on its balance sheet and profit.

The accounting for deferred taxes arising on the taxable earnings of companies included in the scope of Vivendi's tax consolidation is detailed in the "Corporate income tax" paragraph within the section describing the basis for preparing the combined financial statements.

Deferred tax assets and liabilities are offset when the following two conditions are met:

- the Group has a legal right to set off current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to taxes levied by the same tax entity.

Taxes relative to items recognized directly in other comprehensive income are recorded in other comprehensive income and not in the income statement.

1.3.17. Share-based payment

In order to align the interests of directors and employees with those of shareholders by giving them an additional incentive to improve the company's performance and increase the share price over the long term, Vivendi has set up payment plans for Group directors and employees based on the Vivendi share (share purchase plans, performance share plans, free share plans) or other equity-settled equity instruments based on the Vivendi share price (share subscription options). Vivendi's Management Board and Supervisory Board have approved these awards. They have also set performance criteria

Note 1. Accounting Principles (Continued)

for the share subscription options and performance shares that determine whether or not these instruments vest. All plans are awarded on condition that the beneficiary continues to be employed by the Group on the vesting date.

The share of plans relative to Group employees is rebilled by Vivendi SA to SFR SA.

Recognition

Equity-settled share-based payment plans are recognized as personnel costs at the fair value of the instruments awarded, with a matching entry to a payables account.

The fair value of the instruments awarded is estimated and fixed at the grant date using a binomial model based on assumptions revised at the measurement date such as the estimated volatility of the shares in question and a discount rate corresponding to the risk-free interest rate and estimated dividend rate. The estimated life of an option is calculated as the average of the vesting period of the rights and the contractual life of the instrument.

1.3.18. Earnings per share

Basic earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period.

Diluted earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period, adjusted for the effect of all existing diluting instruments.

1.3.19. Contractual commitments, contingent assets and liabilities

Each year, the Group draws up a detailed list of all contractual obligations, financial and commercial commitments and contingent obligations to which it is party or to which it is exposed. This list is regularly updated by the competent departments and reviewed by Group management.

Note 2. Changes in Combination Scope

Financial Year 2011

La Poste Telecom

In 2011, SFR and La Poste created a joint subsidiary, La Poste Telecom, owning 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) addressing the mass market and providing a wide range of mobile telephone services under the brand La Poste Mobile through the La Poste outlet network. This company is accounted under equity method in the combined financial statements of the Group.

Financial Year 2012

Numergy

On August 31, 2012, SFR together with Bull and the Caisse des Dépôts et Consignations created the company Numergy. SFR holds 46.7% stake. Numergy provides to all economic players IT infrastructures capable of hosting remotely accessed and secure data and applications, i.e. “cloud computing” services. This company is accounted under equity method in the combined financial statements of the Group.

Note 3. Segment information

As indicated in the basis of preparation of the combined financial statements presented in the introduction of Note 1—Accounting Principles, the Group has only identified a single operating segment in compliance with IFRS 8—*Operating Segments.*

Note 3. Segment information (Continued)

Geographic information

Moreover, as the Group's operations are located in France, a single geographical area is used.

Information on main customers

No customer represents more than 10% of the Group's revenues.

Note 4. Operating Income

The breakdown of the elements included in the operating income is presented in Notes 1.3.4—Revenues, 1.3.5—Cost of sales, commercial and distribution costs, and 1.2.1—Combined income statement.

4.1. Breakdown of Revenues

	2013	2012	2011
	(in millions of euros)		
Sales of goods	540	516	568
Sales of services	9,658	10,772	11,615
Revenues	**10,199**	**11,288**	**12,183**

4.2. Other Operating Income and Expenses

	2013	2012	2011
	(in millions of euros)		
Other operating income	**2**	**11**	**14**
Amortization of customer bases recognized in business combinations[a]	(66)	(66)	(67)
Restructuring costs[b]	(93)	(187)	(12)
Other	(10)	(17)	(6)
Other operating expenses	**(169)**	**(270)**	**(84)**

(a) The amortization of customer bases recognized in business combination represents the amortization of the customer bases recognized at the acquisition of the Neuf Cegetel Group in 2008 (refer to Note 9—Intangible Assets).

(b) The restructuring costs principally include the voluntary redundancy plan launched by SFR in 2012. In 2013, the Group continued its transformation plan to adapt its business for the changing market environment and maintain its investment in very high-speed fixed and mobile. The voluntary redundancy plan closed in August 2013, and concerned 873 employees.

4.3. Personnel Costs and Average Employee Numbers

	2013	2012	2011
	(in millions of euros, except number of employees)		
Annual average number of full-time equivalents	**13,870**	**14,277**	**14,455**
Of which UES SFR[a]	9,106	9,524	9,529
Of which other combined entities	4,764	4,753	4,926
Salaries and wages[b]	(734)	(652)	(632)
Social security contributions	(301)	(294)	(271)
Capitalized personnel costs	88	79	76
Salaries and related costs	**(947)**	**(867)**	**(828)**
Share-based compensation[c]	(27)	(32)	(23)
Employee benefit[d]	6	(4)	(3)
Other personnel costs[e]	(109)	(153)	(170)
Personnel costs	**(1,077)**	**(1,056)**	**(1,025)**

(a) UES means the social and economic unit.

Note 4. Operating Income (Continued)

(b) The 2013 versus 2012 change essentially results from the voluntary redundancy plan.

(c) Re-invoiced in totality by Vivendi (refer to Note 17—Remunerations based on equity instruments).

(d) Cost of services delivered related to pension schemes, of which the detail is presented in Note 19—Post-Employment Benefits.

(e) The other personnel costs include profit sharing, performance-based bonuses, social security and related contributions an other employee benefits (such as contributions to employee welfare schemes, etc.).

Note 5. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

	2013	2012	2011
	(in millions of euros)		
Other financial income[(a)]	**2**	**2**	**8**
Change in value of derivative instruments	—	0	(40)
Effect of undiscounting liabilities[(b)]	(7)	(10)	(11)
Effect of undiscounting impairment[(c)]	(6)	(5)	(5)
Change in impairment on financial assets	(1)	(9)	(0)
Other	(10)	(10)	(12)
Other financial expenses	**(24)**	**(34)**	**(70)**

(a) The other financial income mainly includes, default interest, various proceeds of bank management, and interest on long-term advances granted to equity-accounted companies.

(b) Principally concerns the debt related to the license GSM.

(c) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 18—Provisions.

Note 6. Income Tax

For information, some companies belong to a group integrated under the French Tax Group System for tax purposes as authorized under *Article 223 A du CGI et suivants*:

- SFR S.A., since 2011, and since 2012 a few subsidiaries more than 95% owned, are included in the tax group system, where Vivendi is the head company of the Group. The tax each member company is liable to pay is paid by Vivendi, which is alone liable to the tax authorities.
- CID S.A. formed a tax group system from January 1, 2010 with the subsidiaries more than 95% owned by it. CID is also solely liable for corporate income tax of which it is the parent company.

6.1. Breakdown of income tax

	2013	2012	2011
	(in millions of euros)		
Income tax expense			
Current	(282)	(559)	(566)
Deferred	(33)	43	31
Income tax	**(315)**	**(516)**	**(535)**
Total income tax paid	**(299)**	**(537)**	**(643)**

Note 6. Income Tax (Continued)

6.2. Tax proof

	2013	2012	2011
	(in millions of euros)		
Net income	426	752	1,400
Adjustment:			
Income tax	(315)	(516)	(535)
Net income from discontinued operations	—	—	—
Pretax income from continuing operations	**742**	**1,267**	**1,935**
French statutory tax rate	38.0%	36.1%	36.1%
Theoretical income tax	**(282)**	**(458)**	**(699)**
Reconciliation of the theoretical and effective tax rate			
Permanent differences[(a)]	(22)	(40)	(4)
Tax credits/Additional tax demands	(2)	(1)	4
Assessment of deferred tax assets[(b)]	(5)	(7)	169
Net income(loss) of equity-accounted affiliates	(5)	(10)	(6)
Income tax	**(315)**	**(516)**	**(535)**
Effective tax rate	42.5%	40.7%	27.6%

(a) Mainly includes, the impact of consolidating 15% of the financial interest calculated on amounts provided to the Group and the tax loss carry-forwards passed on to Vivendi under the Consolidated Global Profit Tax System.

(b) As of December 12, 2011, an amount of e452 million in tax loss carry-forwards was transferred to SFR SA as part of the merger with VTI. These tax loss carry-forwards, which were not recognized, were entirely used up over financial year 2011. The impact on the reconciliation between theoretical income tax and actual income tax at end 2011 amounted to €163 million.

6.3. Changes in Deferred Taxes by Type Changes in deferred tax assets/(liabilities)

The breakdown of deferred tax assets and liabilities by nature for years ended 2011 to 2013 is as follows:

Financial year 2013

	Opening Balance	Income statements	Other	Closing Balance
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	65	8	(0)	73
Provisions	134	(45)	3	92
Fixed assets	105	10	(0)	115
Other	67	(7)	(0)	60
Offsetting[(a)]	(136)	—	12	(124)
Gross deferred tax assets	**235**	**(34)**	**15**	**216**
Unrecognized assets				
Tax losses carry forward	(61)	(9)	0	(69)
Other	(17)	(3)	(0)	(20)
Net deferred tax assets	**157**	**(45)**	**15**	**127**
Deferred tax liabilities				
Fixed assets	(104)	23	(0)	(82)
Other	(33)	(10)	0	(44)
Offsetting[(a)]	136	—	(12)	124
Deferred tax liabilities	**(1)**	**12**	**(12)**	**(2)**
Net deferred tax assets (liabilities)	**156**	**(33)**	**2**	**125**

Note 6. Income Tax (Continued)

Financial Year 2012

	Opening Balance	Income statement	Other	Closing Balance
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	61	3	0	65
Provisions	60	69	5	134
Fixed assets	127	(21)	0	105
Other	81	(14)	(0)	67
Offsetting[a]	(157)	—	20	(136)
Gross deferred tax assets	**173**	**36**	**26**	**235**
Unrecognized assets				
Tax losses carry forward	(51)	(9)	—	(61)
Other	(13)	(4)	(0)	(17)
Net deferred tax assets	**109**	**23**	**26**	**157**
Deferred tax liabilities				
Fixed assets	(133)	30	(1)	(104)
Other	(24)	(10)	0	(33)
Offsetting[a]	157	—	(20)	136
Deferred tax liabilities	**(0)**	**20**	**(21)**	**(1)**
Net deferred tax assets (liabilities)	**108**	**43**	**5**	**156**

Financial Year 2011

	Opening Balance	Income statement	Other	Closing Balances
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	55	(156)	162	61
Provisions	57	5	(2)	60
Fixed assets	131	(8)	4	127
Other	124	(18)	(25)	81
Offsetting[a]	(195)	—	38	(157)
Gross deferred tax assets	**171**	**(176)**	**178**	**173**
Unrecognized assets				
Tax losses carry forward	(42)	153	(162)	(51)
Other	(29)	17	(1)	(13)
Net deferred tax assets	**100**	**(7)**	**15**	**109**
Deferred tax liabilities				
Fixed assets	(151)	17	0	(133)
Other	(46)	21	2	(24)
Offsetting[a]	195	—	(38)	157
Deferred tax liabilities	**(2)**	**38**	**(36)**	**(0)**
Net deferred tax assets (liabilities)	**98**	**31**	**(21)**	**108**

(a) In accordance with IAS 12, the deferred tax assets and liabilities of the same tax entity are offset insofar as they are related to income taxes levied by the same tax authority. The company has the legal right to offset its tax assets and liabilities.

Note 7. Earnings Per Share

As the combined group was not constituted on this date, the number of shares in circulation is not determinable. Consequently, no earnings per share are presented in the Combined Financial Statements.

Note 8. Goodwill

8.1. Goodwill

	2013	2012	2011
	(in millions of euros)		
Goodwill, Gross	5,194	5,194	5,194
Impairment	(6)	(6)	(6)
Goodwill	**5,188**	**5,188**	**5,188**

This amount includes notably the goodwill generated on the goodwill of Neuf Cegetel, which was €4,837 million.

8.2. Net change in Goodwill

	2013	2012	2011
	(in millions of euros)		
Gross value at opening balance	**5,194**	**5,194**	**5,212**
Acquisitions	0	1	—
Decreases	—	—	(18)
Gross value at closing balance	**5,194**	**5,194**	**5,194**
Impairment losses at opening balance	**(6)**	**(6)**	**(6)**
Change	—	—	—
Impairment losses at closing balance	**(6)**	**(6)**	**(6)**
Net value at end of period	**5,188**	**5,188**	**5,188**

8.3. Goodwill impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

Main assumptions applied to determine the recoverable values

The recoverable value is determined upon the basis of the usual valuation methods, particularly the value in use, based upon the DCF approach.

In this respect, for 2013 the projected cash flow and the financial parameters used are the most recent approved by Management and updated to take account of the strong impact on revenues from the pricing policies decided by the Group in a tougher competitive environment, partially offset by cost savings in line with expectations under the company transformation plan, while maintaining a high level of investments, principally due to the increasing rate of investment in very high-speed mobile.

The projection is based on the 2014-2019 business plan established by Management, which has been projected over five additional years.

The assumptions used for discounting rates and the perpetual growth rate are presented as follows:

	2013	2012	2011
Basis used for recoverable value	Value in use	Value in use	Value in use
Methodology	DCF & comparables model	DCF & comparables model	DCF & comparables model
Discount rate after tax	7.30%	7.30%	7.00%
Perpetual growth rate	0.5%	0.5%	1.0%

On the basis of these assumptions, Management, with the help of independent evaluators, has implemented an impairment test for goodwill, and concluded that the recoverable value of the Group exceeded its book value as of December 31, 2013. The Group therefore did not record any impairment loss as of December 31, 2013 or during the previous periods presented.

Note 8. Goodwill (Continued)

Sensitivity of recoverable amounts

Over the periods analyzed, the recoverable amount would be equal to the carrying amount if the main assumptions evolved as follows:

	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (%)	Increase in the discount rate in order for the recoverable amount to be equal the carrying amount (in number of points)	Applied rate (%)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (%)
2013	7.30%	0.60 pt	0.50%	– 1.25 pt	– 10%
2012	7.30%	3.00 pt	0.50%	– 7.00 pt	– 34%
2011	7.00%	5.30 pt	1.00%	– 14.03 pt	– 51%

Note 9. Intangible Assets

9.1. Intangible Assets by nature

The breakdown of intangible assets by nature is as follows:

	2013		
	Gross	Amortization and impairment losses	Net
	(in millions of euros)		
Acquired software	2,061	(1,737)	323
Software developed internally	2,695	(1,854)	841
Licenses[a]	2,505	(620)	1,885
Customer databases[b]	562	(476)	86
Other[c]	1,532	(736)	796
	9,355	**(5,424)**	**3,931**

	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
	(in millions of euros)					
Acquired software	1,967	(1,653)	314	1,870	(1,527)	343
Software developed internally	2,438	(1,629)	810	2,135	(1,417)	719
Licenses[a]	2,505	(503)	2,002	1,244	(430)	814
Customer databases[b]	562	(410)	152	562	(344)	218
Other[c]	1,451	(646)	805	1,541	(516)	1,024
	8,923	**(4,841)**	**4,082**	**7,352**	**(4,235)**	**3,117**

(a) The gross amount includes notably:

– the UMTS license for €619 million (acquired in 2001 for the provision of third-generation mobile telephone services in France) and the new frequencies, acquired in June 2010 for €300 million, amortizable over 20 years;

Note 9. Intangible Assets (Continued)

- the GSM license for €278 million. In March 2006, the French government granted SFR S.A. the right to continue to operate this license for 15 years. The license is recorded for its present value (refer to Note 1.3.7—Intangible Assets);
- the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 Ghz band, and for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band.

(b) Includes:

- the Neuf Cegetel customer base, valued upon acquisition at €464 million,
- the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

9.2. Net Changes in Intangible Assets

The analysis of the change of intangible assets is as follows:

	2013	2012	2011
	(in millions of euros)		
Opening balance	**4,082**	**3,117**	**3,077**
Amortization and impairment losses	(729)	(709)	(661)
Acquisitions	586	1,685	718
Disposals/Write-down	(4)	(4)	(6)
Changes in combination scope	0	—	(5)
Other	(4)	(8)	(5)
Closing balance	**3,931**	**4,082**	**3,117**

The LTE license in the 800 MHz band was activated on June 3, 2013 and will be amortized over a remaining duration of 18 years (end of licensing: January 2032).

9.3. Breakdown of Net Allocations to Amortizations and Impairment Losses

The changes in amortizations and impairment losses are included by destination in the various components of the operating income.

They concern:

	2013	2012	2011
	(in millions of euros)		
Acquired software	(144)	(162)	(178)
Software developed internally	(229)	(215)	(194)
Licenses	(117)	(73)	(72)
Customer bases	(66)	(66)	(67)
Other intangible assets	(172)	(193)	(151)
	(729)	**(709)**	**(661)**

Expenses incurred during the development phases of the Network service projects and the information system development projects are eligible for capitalization. The capitalized amount under intangible assets amounted to €249 million in 2013, as compared with €263 million in 2012 and €264 million in 2011.

Note 10. Tangible Assets

10.1. Property, plant and equipment by nature

The breakdown of Property, plant and equipment is as follows:

	2013		
	Gross	Amortization and impairment losses	Net
	(in millions of euros)		
Land	78	(1)	76
Buildings	2,900	(1,614)	1,286
Equipement and machinery	5,326	(3,267)	2,058
Work in progress	301	—	301
Other	2,397	(1,587)	810
	11,002	**(6,470)**	**4,532**

	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
	(in millions of euros)					
Land	98	(1)	97	84	(1)	83
Buildings	2,744	(1,563)	1,182	1,938	(1,083)	855
Equipement and machinery	5,237	(3,207)	2,030	5,532	(3,310)	2,221
Work in progress	315	—	315	284	—	284
Other	2,218	(1,374)	844	2,168	(1,367)	801
	10,613	**(6,145)**	**4,468**	**10,005**	**(5,762)**	**4,244**

The buildings are principally composed of the hosting of technical sites, buildings and their respective fittings. Technical equipment principally includes network equipment (radio, switching, network administration, network core) and transmissions.

Work in progress, among other things, equipment and network infrastructures.

10.2. Net Changes in Property, plant and equipment

Analysis of the changes in Property, plant and equipment is as follows:

	2013	2012	2011
	(in millions of euros)		
Opening balance	**4,468**	**4,244**	**4,041**
Amortization and write-off	(932)	(868)	(914)
Acquisitions/Increase	1,079	1,080	1,127
Disposal	(21)	(17)	(15)
Changes in combination scope	(61)	12	(1)
Other	(2)	17	6
Closing balance	**4,532**	**4,468**	**4,244**

10.3. Breakdown of Depreciation and Impairment Losses

The changes in depreciation and impairment losses are included by destination in the various components of the operating income.

Note 10. Tangible Assets (Continued)

They concern:

	2013	2012	2011
	(in millions of euros)		
Buildings	(118)	(115)	(124)
Equipment and machinery	(395)	(393)	(420)
Other property, plant and equipment	(419)	(361)	(369)
	(932)	**(868)**	**(914)**

10.4. Property, plant and equipment held under finance leases

The breakdown of property, plant and equipment held under finance leases is as follows:

	2013	2012	2011
	(in millions of euros)		
Lands	5	5	5
Buildings	90	90	90
Technical plant, machinery and equipment	176	176	176
Property, plant and equipment held under finance leases	**270**	**270**	**270**

The minimum future lease payments for Property, plant and equipment held under finance leases is detailed as follows:

	2013	2012	2011
	(in millions of euros)		
Under one year	3	4	9
Two to five years	7	8	12
Over five years	1	3	4
Minimum future lease payments	**11**	**15**	**25**

Note 11. Equity-Accounted Affiliates

11.1. Main Equity-Accounted Affiliates

	2013	2012	2011
	(in millions of euros)		
Numergy[(a)]	95	103	—
La Poste Telecom[(b)]	—	—	17
Other associates	23	19	24
Associates	**119**	**123**	**41**
Synerail[(c)]	—	—	—
Foncière Rimbaud[(d)]	33	15	7
Joint ventures	**33**	**15**	**7**
	152	**138**	**49**

(a) SFR, Bull and the Caisse des Dépôts created the company Numergy, which offer secure IT infrastructures capable of hosting remotely accessible and secure data and applications, i.e. "cloud computing" services (cf. Note 2—Changes in consolidation scope). Only 25% of the Group's share (in the total amount of €105 million), has been paid up. The remaining unpaid portion was recognized as Liabilities in the amount of €79 million (cf. Note 22—Other current and non-current liabilities).

Note 11. Equity-Accounted Affiliates (Continued)

(b) SFR and La Poste created La Poste Telecom, holding 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) in the retail market under the La Poste Mobile brand name (cf. Note 2—Changes in Consolidation scope).

The negative value of the equity-accounted associated of La Poste Telecom was recognized at zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €14 million at end 2013.

(c) On February 18, 2010, a consortium formed with SFR, Vinci and AXA (each at 30%) and TDF (10%) signed the GSM-R public/ private partnership agreement with Réseau Ferré de France. This agreement, of a duration of 15 years and a total amount of e1 billion, covers the financing, construction, operation and maintenance of a digital telecommunications network that enables to conference mode communications (voice and data) between train drivers and team on the ground. It will be rolled out progressively over 14,000 km of conventional and high-speed railway lines in France. The negative value of the equity-accounted associated of Synerail was recognized at reduced to zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €5 million at end 2013.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four equally owned joint subsidiaries, Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4, within the framework of construction of the registered office of SFR in Saint-Denis. This project, which may change over time, will be undertaken in two stages, and works will be staggered until the end of 2015. The first stage of buildings (surface area of 74,000 m^2) carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered at end 2013. The second stage carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 is under construction.

Foncière Rimbaud 3 and 4, which used to be fully consolidated, have been equity-accounted since April 2013.

The group % interests of these main equity-accounted affiliates are indicated in Note 27—List of combined entities.

11.2. Condensed Financial Information

The condensed financial information relative to equity-accounted affiliates is presented in the following tables.

	Numergy		La Poste Telecom		
	2013	2012	2013	2012	2011
	(in millions of euros)				
Revenues	1	—	147	141	76
Net Income[a]	(18)	(3)	(19)	(19)	(62)
Total Equity	204	222	(62)	(43)	(24)
Cash (−)/Net debt (+)	(20)	(56)	48	34	27
Total assets	208	228	36	42	58

(a) Including depreciation of the goodwill of La Poste Telecom recorded in 2011 but communicated to SFR post its consolidation process (€27 million).

	Synerail	
	2013	2012
	(in millions of euros)	
Revenues	153	119
Net Income	2	1
Total Equity	(16)	(26)
Cash (−)/Net debt (+)	288	148
Total assets	344	221

Note 12. Other Current and Non-Current Assets

	2013	2012	2011
	(in millions of euros)		
Non-current operating assets	**79**	**78**	**1**
Advances to equity-accounted and non-combined companies	65	38	34
Non-combined equity securities	12	13	20
Other[(a)]	29	32	94
Non-current financial assets	**106**	**83**	**148**
Total other non-current assets	**185**	**161**	**149**
Other current assets	**2**	**2**	**2**

(a) In 2011, included €53 million related to deposits as guarantee of pre-financing of the arrangement fees for QTE lease/sub-lease agreements set up in 2001 by Neuf Cegetel. The latest QTE contract was early repaid in December 2012.

Note 13. Inventories

	2013	2012	2011
	(in millions of euros)		
Inventories of handsets and accessories	259	256	364
Other	2	7	13
Inventories—gross value	**262**	**263**	**377**
Total depreciations	**(22)**	**(18)**	**(21)**
Inventories—net value	**240**	**245**	**356**

The handset inventories include handsets under consignment with distributors in the amount of €122 million in 2013 (€132 million in 2012 and €151 million in 2011).

Note 14. Trade Accounts Receivable and Other Receivables

	2013	2012	2011
	(in millions of euros)		
Accounts receivable	2,147	2,225	2,349
Bad debt allowance[(a)]	(465)	(477)	(398)
Net accounts receivable	**1,681**	**1,748**	**1,951**
Receivables from suppliers	228	276	283
Employee and tax receivables[(b)]	529	407	681
Prepaid expenses	103	105	88
Income taxes	3	6	7
Other receivables	14	0	4
Total account receivable and other receivables	**2,558**	**2,544**	**3,015**

(a) The Group considers that there is no significant uncollectibility risk for unprovisioned overdue receivables (refer to Note 23.6—Credit and counterparty risks—paragraph "Accounts receivable and other receivables").

(b) At end 2013, employee and tax receivables were principally made up of the following elements:

- Value-added tax: €355 million
- Territorial economic tax (CET): €71 million
- Tax on electronic communications (TCE—Copé): €61 million
- Tax on television services (TST—COSIP): €26 million

Note 15. Cash and Cash Equivalents

	2013	2012	2011
	(in millions of euros)		
Cash	297	187	165
Cash equivalents	98	79	63
Cash and cash equivalents	**394**	**267**	**228**

Note 16. Information on Equity

Dividends paid to shareholders during financial years 2011, 2012 and 2013:

The dividends paid for financial year 2010 amounted to €1,000 million. These dividends were paid in the form of an interim dividend in January 2011.

The dividends paid for financial year 2011 amounted to €1,423 million. These dividends were paid in the form of an interim dividend in June 2011 in the amount of €454 million, and the balance in April 2012 in the amount of €968 million.

The dividends paid for financial year 2012 amounted to €982 million. These dividends were paid in March 2013.

The Group does not plan to distribute dividends for financial year 2013.

Management of capital risk:

The financial structure of the Group comprises borrowing and financial debts, cash and cash equivalents and equity, which includes reserves and equity attributable to non-controlling interests as detailed in the statement of change of equity.

Note 17. Remunerations based on Equity Instruments

17.1. Plans allocated by Vivendi to Employees of SFR

17.1.1. Characteristics of the Various Plans Allocated by Vivendi

Vivendi has granted several share-based compensation plans founded on the Vivendi share and intended for employees of SFR.

During 2012 and 2011, Vivendi granted stock option and performance share plans, wherever the fiscal residence of the beneficiaries and bonus share plan for employees of all the group's French subsidiaries.

In 2013, the Supervisory Board decided, upon the recommendation of the Management Board and General Management and the advice of the Human Resources Committee, that all grants would be made in the form of performance shares, wherever the fiscal residence of the beneficiaries.

In addition, in 2013, 2012 and 2011, Vivendi granted stock purchase plans to its employees and retirees (employee stock purchase and leveraged plans).

The accounting methods applied to value and recognize these granted plans are described in Note 1.3.18—Remunerations paid in shares. More specifically, the risk-free interest rate applied is the rate of French "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date, and the expected dividend yield at grant date is based on Vivendi's dividend distribution policy.

As a reminder, the volatility applied in valuing the stock option plans granted by Vivendi in 2012 and 2011 was calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 6.5-year period and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.

Note 17. Remunerations based on Equity Instruments (Continued)

Instruments settled by the issuance of shares

The definitive grant of equity-settled instruments, excluding the 2012 bonus share plan, is subject to the satisfaction of performance conditions. Such performance conditions include an external indicator, thus following AFEP and MEDEF recommendations. The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee.

The value of the equity-settled instruments is estimated and set at grant date. For the main 2013, 2012 and 2011 performance share, stock option and bonus share plans, the applied assumptions were as follows:

	2013	2012	2011	
Date of grant	February 22	July 16[(a)]	April 17	April 13
Data at grant date:				
Option strike price (in euros)[(b)]	N/A	N/A	13.63	19.93
Share price (in euros)	14.91	15.75	12.53	20.56
Expected volatility	N/A	N/A	27%	25%
Expected dividend yield	6.71%	6.35%	7.98%	7.30%
Performance conditions achievement rate[(c)]	100%	N/A	100%	100%

N/A: not applicable.

(a) Vivendi granted 50 bonus shares to the employees of all the group's French subsidiaries, including SFR (refer to *infra*).

(b) In accordance with legal requirements, the number and strike price of stock options, as well as the number of performance shares in connection with outstanding plans, were adjusted to take into account the impact, for the beneficiaries of the following distributions by a withdrawal from reserves:

- on May 9, 2012: grant to each shareholder of one bonus share per 30 shares held; and
- on May 17, 2013: dividend distribution with respect to fiscal year 2012.

These adjustments have no impact on share-based compensation expense related to the relevant stock option and performance share plans.

(c) Since 2012, achievement of the objectives underlying the performance conditions has been assessed over two years (each year over two years for the plans allocated in 2011). The final grant is effective according to fulfillment of the following performance criteria:

- internal indicator (70%): EBITA margin as a function of the cumulative income from the past two fiscal years, for the plans allocated in 2013 and 2012 (compared to the adjusted net income (45%), and cash flow from operations (25%) for the plans allocated in 2011);
- external indicators (30%): performance of Vivendi's share price over two years, according to the Dow Jones Stoxx Telecom index (21% for plans allocated in 2013 and 2012, compared to 18% for the plans allocated in 2011) and according to the Media index comprised of a pre-established panel (9% for plans allocated in 2013 and 2012, compared to 12% for plans allocated in 2011).
- The definitive grant of stock options and performance shares of April 17, 2012 became effective as of December 31, 2013. The acquisition of these instruments is conditional upon active employment at the vesting date.

With regard to stock options and performance shares of April 13, 2011, the final grant became effective as of December 31, 2012.

Performance share plans based on the value of Vivendi

Performance shares granted in 2013, 2012 and 2011 will vest at the end of a two-year period. The compensation cost is therefore recognized on a straight-line basis over the vesting period. Performance shares are available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares making up the share

Note 17. Remunerations based on Equity Instruments (Continued)

capital of Vivendi SA, employee shareholders are entitled to the dividends and voting rights attached to these shares from the end of the two-year vesting period. The recognized compensation cost corresponds to the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received and the discounted value of dividends that were not received over the vesting period.

On February 22, 2013, 717,000 performance shares were granted, compared to 552,000 granted on April 17, 2012 and 492,000 granted on April 13, 2011. After taking account of a discount for non-transferability, 8.3% of the share price as of February 22, 2013 (7.1% as of April 17, 2012 and 4.5% as of April 13, 2011), the fair value of each granted performance share was €11.79, as compared with €9.80 per share as of April 17, 2012 and €16.84 as of April 13, 2011, corresponding to a global fair value of €8 million (€5 million in 2012 and €8 million in 2011).

Stock option plans based on the value of Vivendi

Stock options granted in 2012 and 2011 will vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost determined at grant date is recognized on a straight-line basis over the vesting period. In 2013, Vivendi did not grant any stock options. On April 17, 2012, 495,000 stock options were granted, compared to 610,000 options on April 13, 2011. After taking into account a 2.35% risk-free interest rate (3.21% in 2011), the fair value of each option granted was €0.96 (compared to €2.16 per option as of April 13, 2011), corresponding to a global fair value of €0.5 million (€1.3 million in 2011).

Free allocation plan of 50 shares

On July 16, 2012, Vivendi granted a 50 bonus share plan per employee of all the group's French subsidiaries, including SFR. These shares will be issued at the end of a two-year period, i.e., July 17, 2014, subject to the employee being in active employment at this date and without any performance conditions. The compensation cost is therefore recognized on a straight-line basis over this period. The shares will only be available after another two-year period. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders will be entitled to the dividend and voting rights relating to these shares from the end of the two year vesting period.

On July 16, 2012, 500,000 bonus shares were granted. After taking into account a discount for non-transferability of 9.3% of the share price on July 16, 2012, the fair value of each granted bonus share was €12.40, a total of €6 million.

Employee stock purchase and leveraged plans subscribed by the employees of SFR

Vivendi also maintains share purchase plans (stock purchase and leveraged plans) that allow substantially all of SFR employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain sale or transfer restrictions, may be purchased by employees with a maximum discount of 20% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of approval of the share capital increase by the Management Board (purchase date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares during a five-year period, which is deducted from the benefit granted to the employees. The value of the stock purchase plans granted is estimated and fixed at the grant date.

Note 17. Remunerations based on Equity Instruments (Continued)

For the employee stock purchase and leveraged plans subscribed in 2013, 2012 and 2011, the applied valuation assumptions were as follows:

For the Group savings plans and leverage plans subscribed in 2013, 2012 and 2011, the valuation assumptions used are as follows:

	2013	2012	2011
Grant date	June 28	June 25	June 23
Subscription price (in euros)	12.10	10.31	15.27
Data at grant date:			
Share price (in euros)	14.55	13.57	18.39
Discount to face value	16.82%	24.02%	16.97%
Expected dividend yield	6.87%	7.37%	8.16%
Risk-free interest rate	1.19%	1.37%	2.44%
5-year interest rate in fine	6.08%	6.51%	6.15%
Repo rate	0.36%	0.36%	0.36%

Under the employee stock purchase plans 1,505,000 shares were subscribed in 2013 (compared to 1,541,000 shares in 2012 and 1,381,000 shares in 2011). After taking into account a 15.2% discount for non-transferability to the share price on the grant date (15.3% in 2012 and 10.0% in 2011), the fair value per subscribed share on June 28, 2013 was €0.24, compared to €1.18 per share subscribed on June 25, 2012 and €1.28 per share subscribed on June 23, 2011.

Under the leveraged plans, virtually all employees and retired employees of SFR were entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2013, 6,225,000 shares were subscribed under the leverage plan (compared to 6,591,000 shares subscribed in 2012 and 4,537,000 shares subscribed in 2011). After taking into account a 1.5% discount for non-transferability measured after the leveraged impact (unchanged in relation to 2012 and 1.0% in 2011), the fair value per share subscribed on June 28, 2013 amounted to €2.23, compared with €3.05 per share subscribed on June 25, 2012 and €2.94 per share subscribed on June 23, 2011.

In 2013, the charge recognized with respect to employee stock purchase and leveraged plans amounted to €14 million (as compared with €22 million in 2012 and €15 million in 2011).

Note 17. Remunerations based on Equity Instruments (Continued)

17.1.2. Information on outstanding SFR Plans Based on the Value of Vivendi since January 1, 2011

Equity-settled instruments

	Stock options		Performance shares
	Number of outstanding stock options	Weighted average strike price of outstanding stock options	Number of outstanding performance shares
	(in thousands)	(in euros)	(in thousands)
Balance as of December 31, 2010	**12,688**	**21.6**	**538**
Granted	645	19.9	502
Exercised	(25)	13.9	(152)
Cancelled	(377)	20.3	(42)
Balance as of December 31, 2011	**12,931**	**21.5**	**846**
Granted	495	13.6	552
Exercised	(94)	13.0	(344)
Cancelled	(82)	18.3	(32)
Adjusted	460	20.6	36
Balance as of December 31, 2012	**13,710**	**20.6**	**1,058**
Granted	—	N/A	817
Exercised	(734)[(a)]	14.2	(496)
Forfeited	(85)	12.2	—
Cancelled	(16)	18.2	(6)
Adjusted	1,390	19.4	114
Balance as of December 31, 2013	**14,265**[(b)]	**19.7**	**1,487**[(c)]
Exercisable as of December 31, 2013	***12,913***	***20.2***	**—**
Acquired as of December 31, 2013	***12,913***	***20.2***	**—**

N/A: not applicable

(a) The weighted average share price for Vivendi shares at the dates of exercise for the options was €16.71 (compared to €16.50 for stock options exercised in 2012 and €20.85 for the stock options exercised in 2011).

(b) The total intrinsic value of outstanding stock options was €17 million.

(c) The weighted-average remaining period before issuing shares was 0.8 years.

Regarding the grant of 50 bonus shares in 2012, the remaining number of bonus shares was 455,000 as of December 31, 2013 (474,000 as of December 31, 2012). During 2013, 19,000 shares were cancelled (26,000 in 2012).

Note 17. Remunerations based on Equity Instruments (Continued)

Information on stock options as of December 31, 2013 is as follows:

	Outstanding stock options			Vested stock options	
Range of strike price	Number	Weighted average strike price	Weighted average remaining contractual life	Number	Weighted average strike price
	(in thousands)	(in euros)	(in years)	(in thousands)	(in euros)
Under €15	624	13.6	8.6	—	—
€15-€17	3,613	16.8	5.7	3,613	16.8
€17-€19	3,107	17.6	2.2	2,379	17.5
€19-€21	1,944	20.0	1.3	1,944	20.0
€21-€23	1,613	21.3	4.3	1,613	21.3
€23-€25	1,771	24.1	2.3	1,771	24.1
€25-€27	1,593	26.1	3.3	1,593	26.1
Over €27	—	—	—	—	—
	14,265	**19.7**	**3.6**	**12,913**	**20.2**

17.2. Impact on Income Statement

	2013	2012	2011
	(in millions of euros)		
Stock options, performance shares and bonus shares	*12.3*	*9.7*	*7.8*
Employee stock purchase plan	*14.2*	*21.9*	*15.1*
Charges/(income) relative to compensation based on equity-settled instruments	**26.5**	**31.6**	**22.9**

Note 18. Provisions

	2013					
	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
			(in millions of euros)			
Staff benefit schemes[(a)]	72	7	(10)	—	8	76
Restructuring[(b)]	170	67	(152)	(1)	—	85
Site renovation costs[(c)]	65	4	(4)	—	(4)	61
Litigation and other[(d)]	274	127	(53)	(86)	6	269
Provisions	**581**	**205**	**(218)**	**(87)**	**10**	**491**
Current provisions	*408*	*195*	*(185)*	*(86)*	*3*	*335*
Non-current provisions	*173*	*11*	*(34)*	*(1)*	*7*	*156*

(a) Staff benefit schemes: refer to Note 19—Post-employment benefits

(b) Restructuring: refer to Note 4.2—Other operating income and expenditure

(c) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(d) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned.

Note 18. Provisions (Continued)

The tables of the previous financial years are presented below:

	2012					
	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
	(in millions of euros)					
Staff benefit schemes	50	7	(0)	(1)	15	72
Restructuring	9	170	(0)	—	(8)	170
Site renovation costs	55	3	(3)	—	10	65
Litigation and other	259	89	(30)	(60)	16	274
Provisions	**372**	**271**	**(33)**	**(61)**	**32**	**581**
Current provisions	*236*	*256*	*(30)*	*(54)*	—	*408*
Non-current provisions	*137*	*14*	*(3)*	*(7)*	*32*	*173*

	2011					
	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
	(in millions of euros)					
Staff benefit schemes	45	6	(0)	(1)	0	50
Restructuring	1	—	(1)	(6)	14	9
Site renovation costs	49	3	(2)	—	4	55
Litigation and other	271	92	(40)	(63)	(1)	259
Provisions	**366**	**101**	**(43)**	**(69)**	**17**	**372**
Current provisions	*260*	*56*	*(31)*	*(52)*	*3*	*236*
Non-current provisions	*106*	*45*	*(11)*	*(17)*	*14*	*137*

Note 19. Post-Employment Benefits

All employees of the Group benefit from severance pay in accordance with the collective agreement of the company to which they are attached.

19.1. Assumptions used for Evaluation

The actuarial debt is evaluated using the following assumptions:

	2013	2012	2011
Discount rate	3.00%	3.25%	4.50%
Salary increase rate	2.75%	2.75%	2.75%

The demographic assumptions are specific to each company. The discount rate is based on the “iBoxx € Corporates AA” rate.

The proceeds of interest on the hedging assets are determined on the basis of the discount rate.

These hedging assets are invested in the general fund Cardif, which is principally composed of bonds.

Note 19. Post-Employment Benefits (Continued)

19.2. Analysis of Net Benefit obligation under Pensions and Post retirement Benefits

The analysis of the change in net benefit obligations is presented in the tables below:

Changes in the value of Benefit obligations

	2013	2012	2011
	(in millions of euros)		
Benefit obligation at the beginning of the year	73	52	48
Current services cost	7	5	5
Interest cost	2	2	2
Benefits for the period	(0)	(0)	(1)
Scheme reduction[(a)]	(12)	(1)	—
Settlement	—	—	(0)
Curtailment	—	—	(1)
Actuarial differences (profits)/losses	7	15	(0)
Benefit obligation at the end of year	**77**	**73**	**52**
Including commitments not financed	*76*	*71*	*50*
Including commitments totally or partially financed	*0*	*2*	*2*

(a) The scheme reduction of €12 million in 2013 corresponds to the impact of the voluntary redundancy scheme launched by SFR in 2012 (refer to Note 4.2—Other operating income and expenditure).

Changes to fair value of plan assets

	2013	2012	2011
	(in millions of euros)		
Fair value of plan assets at start of year	3	3	3
Benefits paid by the fund	—	—	(1)
Actuarial differences (profits)/losses on return	—	0	—
Return expected from the hedge funds	0	0	0
Fair value of plan assets at end of year	**3**	**3**	**3**

Net liabilities recorded

	2013	2012	2011
	(in millions of euros)		
Net liabilities recorded at start of year	(70)	(49)	(45)
Expenditure for the period	(9)	(7)	(5)
Benefits reducing commitment	0	0	0
Scheme reduction	12	1	—
Scheme settlement	—	—	0
Actuarial differences profits/(losses) in overall earnings	(7)	(15)	0
Net liabilities recorded at end of year	**(74)**	**(70)**	**(49)**

Value of commitments, fair value of assets and financial sub-hedge over 3 financial years

	2013	2012	2011
	(in millions of euros)		
Value of commitments	77	73	52
Fair value of plan assets	3	3	3
Financial sub-hedge	**74**	**70**	**49**

Note 19. Post-Employment Benefits (Continued)

Sensitivities to the discount rate

An increase of 50 base points to the discount rate expected in 2013 (or a fall of 50 base points) would be reflected in a reduction in the commitment of €7 million (or an increase of €7 million).

19.3. Analysis of the Expenditure Recorded on the Income Statement

Expenditure recorded for defined benefit schemes can be broken down as follows:

	2013	2012	2011
	(in millions of euros)		
Current service cost	7	5	5
Interest costs	2	2	2
Expected return on plan assets	(0)	(0)	(0)
Past services cost	—	—	(1)
Expenditure for the financial year	**9**	**7**	**5**
Scheme reduction	(12)	(1)	—
Scheme settlement	—	—	(0)
Total expenditure	**(3)**	**6**	**5**

19.4. Actuarial Differences Recorded in Overall Earnings

	2013	2012	2011
	(in millions of euros)		
Actuarial differences from experience	1	—	2
Actuarial differences from assumptions	6	14	(2)
Actuarial differences recorded in overall earnings	**7**	**15**	**—**
Actuarial differences accumulated in equity	**21**	**14**	**—**

The amount of the 2013 actuarial differences relative to the hedging assets is not significant. The amount relative to the commitments is detailed as follows:

	Total	Commitment	
	(in millions of euros)		
Actuarial differences from experience	1	1	1.0%
Actuarial differences from assumptions	6	6	7.7%
Total	**7**	**7**	

19.5. Allocation of pension plan assets

The allocation of plan assets is presented in the table hereunder:

	2013	2012	2011
Shares	12.6%	11.4%	11.8%
Bonds	80.7%	78.2%	81.5%
Real estate	6.7%	6.5%	6.1%
Other	0.0%	3.9%	0.6%
Total	**100.0%**	**100.0%**	**100.0%**

Apart from real estate investments, all these assets are exchange-listed.

Note 19. Post-Employment Benefits (Continued)

19.6. Schedule of Post-Employment Benefits

The estimated amount (in nominal value) of the benefits to be paid in the next ten years is as follows:

	Under one year	Two to five years	Six to ten years	Total
		(in millions of euros)		
Estimated benefits payable	0	2	12	**14**

Note 20. Borrowing and Financial Debt

20.1. Analysis of the Expenditure Recorded on the Income Statement

	2013	2012	2011
	(in millions of euros)		
Shareholder debt[(a)]	1,200	1,200	3,700
Bond loan[(b)]	—	300	300
Securitization of receivables[(c)]	—	—	422
Debt relative to finance leasing	8	11	15
Other financial debt	40	50	53
Non-current borrowing and financial debt	**1,248**	**1,561**	**4,490**
Shareholder debt[(a)]	7,472	6,409	1,761
Bond loan[(b)]	300	—	996
Bank loan	50	66	48
Debt relative to finance leasing	3	4	9
Other financial debt[(d)]	20	27	83
Current borrowing and financial debt	**7,846**	**6,506**	**2,896**
Borrowing and financial debt	**9,094**	**8,067**	**7,385**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

- cash current account: this is an advance on current account granted to the Group by Vivendi in June 2011. This facility was drawn respectively to the level of €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate, which was fixed in accordance with market conditions, has remained fixed since January 1, 2013 (2.79%);

- shareholder loan: these are loans or credit facilities entered into between the Group and Vivendi:

  - The Revolving Credit facility entered into in January 2011 for €1 billion, bearing interest at the Euribor rate + 2.5%, matured in 2012,

  - The Revolving Credit facility in the sum of €1.5 billion, entered into in June 2009 at the Euribor interest rate + 2.5%, matured in June 2013,

  - The loan entered into in December 2011 for €1.2 billion, bearing interest at the Euribor rate + 0.825%, maturity of which is June 2015, was still in force as of December 31, 2013;

(b) Bond loan (net of amortized cost): The Group issued a bond loan of €300 million in July 2009, maturity of which is July 9, 2014, bearing interest at the rate of 5%. Another loan, resulting from several bond issues from 2005 to 2009 for a total of €1 billion, was repaid in full upon maturity in July 2012.

(c) A receivables securitization program was set up in 2011. This program was settled ahead of the original due date in June 2012.

(d) The commercial papers were repaid in full in 2012.

Note 20. Borrowing and Financial Debt (Continued)

20.2. Breakdown by Interest Rate Type of the Repayment Value of Borrowing and Financial Debt

	2013		2012		2011	
	(in millions of euros)					
Breakdown by type of interest rate:						
Fixed interest rate (after hedge)	7,769	85%	300	4%	1,296	18%
Variable interest rate	1,324	15%	7,767	96%	6,090	82%
Total	**9,094**		**8,067**		**7,385**	

20.3. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis. The interest payable is calculated on the basis of the debt as of December 31, 2013. The variable interest rates are the rates applicable as of December 31, 2013.

The effective annual percentage rate over the year 2013 is 2.80%.

		2013		
		Schedule of repayments		
	Book value	Under one year	Two to five years	Over five years
	(in millions of euros)			
Shareholder debt	8,672	7,472	1,200	—
Bond loan	300	300	—	—
Borrowing relative to leasing	11	3	6	2
Other financial debts	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

Note 21. Trade Accounts Payable and Other Payables

	2013	2012	2011
	(in millions of euros)		
Trade accounts payable	2,878	2,943	3,114
Customer's credit balances	622	512	478
Tax and social contributions[(a)]	846	1,028	1,100
Short term prepaid income	524	630	710
Income tax	3	9	6
Other	1	13	4
Trade accounts payable and other payables	**4,874**	**5,136**	**5,412**

(a) As of the end of 2013, tax and social contributions can be broken down principally into the following elements:

- Value-added tax payable: €331 million
- Social contributions: €338 million
- Territorial economic tax (CET): €77 million
- Tax on electronic communications (TCE—Copé): €54 million
- Tax on television services (TST—COSIP): €24 million

Note 22. Other Current and Non-Current Liabilities

	2013	2012	2011
	(in millions of euros)		
Deferred income	309	339	346
GSM license	136	154	172
Uncalled share capital (Numergy)	63	63	—
Other[(a)]	33	41	114
Other non-current liabilities	**540**	**597**	**633**
Uncalled share capital (Numergy)	16	16	—
Other current liabilities	1	1	3
Other current financial liabilities	**17**	**17**	**3**

(a) In 2011, includes €53 million QTE settled early in December 2012 (refer to Note 12—Other current and non-current assets).

Note 23. Financial Instruments

23.1. Fair Value of Financial Instruments Recorded in the Balance Sheet and Accounting Categories

The table below presents the net carrying value by category and the fair value of the Group's financial instruments as of December 31, of each year.

		2013						
	Note	Assets/ liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets/ liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
		(in millions of euros)						
Assets								
Other non-current financial assets	12	8	12	86			106	106
Derivative instruments	12					2	2	2
Other current financial assets	12	0					0	0
Other non-current operating assets	12				79		79	79
Trade accounts receivable and other	14				2,558		2,558	2,558
Cash and cash equivalents	15	394					394	394
Liabilities								
Non-current borrowings and financial debts	20				1,248		1,248	1,248
Current borrowings and financial debts	20				7,844		7,844	7,851
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				4,874		4,874	4,874
Other non-current liabilities	22				540		540	540
Other current financial liabilities	22				17		17	17

Note 23. Financial Instruments (Continued)

For the record, as of December 31, 2012

		2012						
	Note	Assets/ liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets/ liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
		(in millions of euros)						
Assets								
Other non-current financial assets	12	8	13	63			83	83
Derivative instruments	12					2	2	2
Other current financial assets	12	1					1	1
Other non-current operating assets	12				78		78	78
Trade accounts receivable and other	14				2,544		2,544	2,544
Cash and cash equivalents	15	267					267	267
Liabilities								
Non-current borrowings and financial debts	20				1,561		1,561	1,578
Current borrowings and financial debts	20				6,505		6,505	6,505
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				5,136		5,136	5,136
Other non-current liabilities	22				597		597	597
Other current financial liabilities	22				17		17	17

Note 23. Financial instruments (Continued)

For the record, as of December 31, 2011

		2011						
	Note	Assets/ liabilities at fair value through earnings	Available-for-sale securities	Loans and receivables	Assets/ liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
		(in millions of euros)						
Assets								
Other non-current financial assets	12	8	20	120			148	148
Derivative instruments	12					0	0	0
Other current financial assets	12	2					2	2
Other non-current operating assets	12				1		1	1
Trade accounts receivable and other	14				3,015		3,015	3,015
Cash and cash equivalents	15	228					228	228
Liabilities								
Non-current borrowings and financial debts	20				4,490		4,490	4,504
Current borrowings and financial debts	20				2,895		2,895	2,907
Derivative instruments	20							
Commitments to purchase non-controlling interests	12	1					1	1
Trade accounts payable and other	21				5,412		5,412	5,412
Other non-current liabilities	22				633		633	633
Other current financial liabilities	22				3		3	3

The carrying value of the operating receivables and other, cash and cash equivalents and trade accounts payable and other is a reasonable approximation of fair value, due to the short maturity of these instruments.

The fair value of the borrowings and financial debts is calculated either from the market price for the bond loan or, for the rest of the debt, by discounting future contractual flows, taking account of market conditions as of December 31 each year.

Valuation method for financial instruments at fair value on the balance sheet

In compliance with IFRS 7, financial assets and liabilities at fair value are classified according to a fair value hierarchy at fair value of the financial instruments (level 1 to 3) as follows:

- the fair value of financial instruments exchanged in active markets (for example monetary UCITS) is based on the market price listed on the date of closure. This valuation method is described as level 1 in the hierarchy defined by IFRS 7;
- the fair value of financial instruments not traded in active markets (for example rate swaps) is determined using valuation techniques. The assumptions used can be observed either directly (i.e. such as prices) or indirectly (i.e. determined from prices). This valuation method is described as level 2 in the hierarchy defined by IFRS 7;
- the fair value of the instruments classified in level 3 (for example, available—for-sale securities) is determined using a valuation technique not based on observable market data.

Note 23. Financial instruments (Continued)

The tables below present the method of valuation used for the financial assets and liabilities at fair value as of December 31, of each year.

	2013			
	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	20	8		12
of which cash management assets	*8*	*8*		
available-for-sale securities	*12*			*12*
Derivative instruments	2	2		
Other current financial assets	0	0		
Cash and cash equivalents	394	394		
Financial liabilities at fair value				
Derivative instruments	2	2		

For the record, as of December 31, 2012

	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	21	8		13
of which cash management assets	*8*	*8*		
available-for-sale securities	*13*			*13*
Derivative instruments	2		2	
Other current financial assets	1	1		
Cash and cash equivalents	267	267		
Financial liabilities at fair value				
Derivative instruments	2	2		

For the record, as of December 31, 2011

	Fair value	Level 1	Level 2	Level 3
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	28	8		20
of which cash management assets	*8*	*8*		
available-for-sale securities	*20*			*20*
Derivative instruments	0		0	
Other current financial assets	2	2		
Cash and cash equivalents	228	228		
Financial liabilities at fair value				
Derivative instruments				
Commitments to purchase non-controlling interests	1			1

23.2. Management of Financial Risks and Derivative Financial Instruments

As part of its business, the Group is exposed to several types of financial risks: market risk, credit (or counterparty) risk and liquidity risk. Market risks are defined as the risks of fluctuation in future cash flow of financial instruments that depend on the changes in financial markets. For the Group, market risks may therefore primarily impact interest rates and foreign currency exchange positions, in the absence of significant investment in the stock markets.

As part of the Vivendi Group as of December 31, 2013, the Group follows group policy with regard to management of financial risks and derivative financial instruments, which is centrally managed by Vivendi's Financing and Treasury department.

Note 23. Financial instruments (Continued)

The Group uses derivative instruments to manage its exposure to market risks. The valuation of these instruments is not significant over the periods presented.

Valuation linked to the credit risk of derivative instruments is calculated from historic probabilities of default, as resulting from the calculations of a leading ratings agency, to which a recovery rate is applied. As of December 31, 2013, the impact of the adjustment recommended by IFRS 13 was not significant.

23.3. Interest Rate Risk

The exposure of the Group to interest rate risk is linked to its net variable rate financial debt level.

As of December 31, 2013 and as of December 31, 2012, this exposure was not hedged by rate derivative instruments.

Sensitivity analysis to interest rate risk

Sensitivity analysis to interest rate changes for variable rate instruments was determined considering all variable rates of financial instruments. The analysis was conducted assuming that the amounts of debts and financial instruments on the balance sheet as of December 31, 2013 will remain constant over a year. For the purposes of this analysis, all other variables, particularly the exchange rates, are assumed to remain constant.

A change of 50 basis points in the interest rate on date of closure would have resulted in an increase (decrease) in the cost of debt of €7 million.

23.4. Foreign Exchange Risk

To hedge its currency purchases, related in particular to the acquisition of telecoms equipment, the Group uses forward contracts which it buys from the Financing and Treasury department of the Vivendi Group.

As of December 31, 2013, the Group held foreign exchange hedge instruments for a notional amount of 115 million US dollars (USD). All contracts are US dollar (USD) forward contracts with a maturity between 1 and 7 months.

The forward contracts are defined as cash flow hedges. Their ineffectiveness over the period is not significant.

The residual exposure of the Group after hedging the USD fluctuations is barely significant over the financial year. As of December 31, 2013, the exposure to foreign exchange risk on the balance sheet of the Group in USD amounts to 2 million, and is completely hedged.

Sensitivity analysis to foreign exchange risk

As of December 31, 2013, an instant change of 10% of the euro in relation to the dollar would, on the assets and liabilities recorded on the balance sheet, have quite a significant impact on the foreign exchange earnings of the Group. For the purposes of this analysis, all other variables, and in particular the interest rates, are assumed to remain constant.

23.5. Liquidity Risk

The Group manages the liquidity risk by continually supervising the cash flow projections and the actual cash flow. As of December 31, 2013, the financial flexibility of the Group was assured by the current account provided by Vivendi.

A liquidity schedule is detailed in Note 20.3—Breakdown by maturity of future cash flow linked to borrowings and financial debts.

Note 23. Financial instruments (Continued)

23.6. Credit and Counterparty Risk

The main financial assets potentially generating a credit risk for the Group are:

- cash investments,
- trade accounts receivable and other .

The maximum exposure of the financial assets to the credit risk corresponds to their net carrying value.

Cash investments and derivative instruments

The Group makes its cash investments (monetary UCITS that meet the specifications of AMF position No. 2011-13, and other short-term highly liquid investments with an original maturity less than or equal to three months) with leading banking counterparties.

As of December 31, 2013:

- cash investments are made with counterparties enjoying high credit ratings,
- derivative instruments, forward purchases of dollars, were bought from Vivendi and not directly from banking partners.

Trade accounts receivable and other

The concentration of the counterparty risk related to trade accounts receivable is limited because the client portfolio of the Group is highly diversified and not concentrated, considering the large number of clients, in particular the Retail business, with several million individual customers.

With regard to the B2B business, the 20 main clients represent less than 3% of the Group's revenues.

With regard to the Wholesale business, revenues are more concentrated, with the biggest clients being telecommunications operators (such as Orange, Bouygues Telecom, Free Mobile) whose risk is moderate considering the interconnection flows equilibrium. Orange, the first client operator, is also the first supplier of the Group.

Note 24. Transactions with Related Parties

The related parties of the Group are:

- All companies included in the scope of combination, whether fully integrated or accounted for by the equity method,
- Vivendi S.A. and its consolidated entities (the "Vivendi Group"),
- The Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.,
- All members of the executive committee of SFR S.A.,
- All companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

24.1. Compensation of the Managers

The managers of the combined group include the members of the executive committee of its main entity SFR S.A.

Note 24. Transactions with Related Parties (Continued)

The table below presents the compensation allocated to the people who were, upon closure or during the financial years presented members of the executive committee.

	2013	2012	2011
	(in millions of euros)		
Short-term benefits[(a)]	5	6	6
Post-employment benefits[(b)]	1	1	2
Share-based compensation[(c)]	3	4	3
Compensation of managers	**8**	**10**	**11**

(a) Includes gross salaries, fixed and variable compensations, profit sharing and benefits in kind recorded during the financial year. The variable part includes bonuses provisioned at closure of the financial year. The 2013 bonus for the corporate representatives will be finally approved later by the Supervisory Board of Vivendi S.A. at the recommendation of the Human Resources Committee of Vivendi S.A.

(b) Corresponds to the cost of services delivered.

(c) Expense recorded on the profit and loss account by way of share option plans and offers reserved to employees.

24.2. The Shareholder Companies and Joint Ventures

Shareholder companies and joint ventures, equity-accounted, are presented in Note 11—Equity-accounted securities.

Transactions with the related parties summarized below concern the principal current operations undertaken with shareholder companies and joint ventures.

	Affiliated companies			Joint ventures		
	2013	2012	2011	2013	2012	2011
	(in millions of euros)					
Assets	**66**	**54**	**52**	**53**	**24**	**22**
Non-current assets	—	—	—	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	**—**	**—**
Current liabilities	18	16	15	5	—	—
Non-current liabilities	63	63	—	—	—	—
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	—	—	—	(4)	—	—
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	—	—	—	413	228	228
Financial	56	79	70	86	58	50
Pledges	—	—	—	70	34	25

The principal transactions with the equity-accounted companies are with:

- La Poste Telecom as part of telephony business,
- Numergy as part of services relative to “cloud computing”,
- Synerail as part of the GSM-R Public/Private Partnership,
- Foncière Rimbaud (1 to 4) with the Vinci Group as part construction of the registered office of SFR S.A.

(refer to Note 11—Equity-accounted securities)

Note 24. Transactions with Related Parties (Continued)

24.3. The Historic Shareholders

From 2011 to 2013, the principal operations with the Vivendi Group and the Vodafone Group were as follows:

Financing by Vivendi S.A.

	2013	2012	2011
	(in millions of euros)		
Under balance sheet liabilities			
Shareholder debt[(a)]	8,673	7,609	5,461
On the profit and loss account			
Interest linked to shareholder debt	(212)	(170)	(87)

(a) The breakdown of the shareholder debt is presented in Note 20—Borrowings and financial debts.

Services billed by Vivendi S.A.

	2013	2012	2011
	(in millions of euros)		
Head office costs	(15)	(28)	(26)
Employee benefits	(26)	(32)	(23)
Staff on secondment	(7)	(6)	(6)
Services billed by Vivendi	**(48)**	**(66)**	**(55)**

Operations carried out with the Vodafone Group from January 1 to June 16, 2011

Cooperation with Vodafone: in 2003, Vodafone and SFR S.A. entered into an agreement which enabled them to intensify their cooperation and increase their scale economies in several areas: development and launch of new products and services, reinforcement of operating synergies, notably with regard to purchasing (notably IT and technology) and the sharing of expertise.

SFR S.A. recorded an expense of €21 million for this agreement as of June 30, 2011.

The cooperation agreement with Vodafone was maintained following Vodafone's exit from the share capital of SFR S.A., but no longer falls within the scope of affiliated operations.

Interconnection flow with subsidiaries of the Vodafone Group: as part of the rebilling of flow ("roaming in" and "roaming out"), on June 30, 2011 the Group recorded an income of €23 million and an expense of €13 million vis-à-vis the Vodafone Group.

Other operations undertaken with subsidiaries of the Vivendi Group

	2013	2012	2011
	(in millions of euros)		
Total income	25	24	13
Total expenses	(49)	(61)	(57)

The Canal +, UMG and Maroc Telecom Groups are consolidated within the Vivendi Group. These operations fall within the current business of the Group.

Note 25. Contractual Commitments

The significant contractual commitments made or received by the Group are detailed hereunder:

25.1. Commitments related to Fixed Assets

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €888 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

Note 25. Contractual Commitments (Continued)

The schedule of these commitments is as follows:

	Minimum future payments	Schedule: Under one year	Schedule: Two to five years	Schedule: Over five years	2012	2011
	(in millions of euros)					
Commitments related to Public Service Concessions	72	27	22	23	262	336
Commitments related to MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the less dense areas.

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

25.2. Commitments related to the Telecommunications Licenses

Commitments given	Amount	Maturity
(a) UMTS license on French territory	1% of revenues generated	2021-2030
(a) GSM license on French territory	1% of revenues generated	2021
(a) LTE license on French territory	1% of revenues generated	2031-2032
(b) 3G network coverage	Not costed	2013
(c) 4G network coverage	Not costed	2023-2027

Commitments received	Amount	Maturity
(a) Network operating and telecommunications service provision authorizations on French territory	Not costed	2021/2032

(a) The Group is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(refer to Note 1.3.7—Intangible assets; Note 9—Intangible assets).

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.

As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by 11 October 2015,
- 60% of the metropolitan population by 11 October 2019,
- 75% of the metropolitan population by 11 October 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Note 25. Contractual Commitments (Continued)

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
  - coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;
  - coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022;
  - departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027.
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area.
- The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.
- The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the "white areas" program (above 98% of the population) within a maximum period of 15 years.

25.3. Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

	Minimum future rents	Schedule: Under one year	Schedule: Two to five years	Schedule: Over five years	2012	2011
			(in millions of euros)			
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

The future finance leasing rent amounts are presented in Note 10.3—Tangible assets.

25.4. Commitments related to Long-Term Contracts

Commitments related to long-term contracts principally concern contracts for maintenance of the telecommunications network.

Note 25. Contractual Commitments (Continued)

	Minimum future payments 2013	Schedule			2012	2011
		Under one year	Two to five years	Over five years		
		(in millions of euros)				
Given commitments	178	62	79	37	172	63
Received commitments	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

25.5. Other Commitments

		2013	Schedule	2012	2011
			(in millions of euros)		
(a)	GSM-R bank guarantees, joint and several guarantees	105	According to construction	92	66
	Other bank guarantees	65	2026	64	90
(b)	Share purchase commitments	16	2026	16	18
	Pledges	84	2017	51	46
	Given commitments	**269**		**223**	**219**
	Other bank guarantees	(1)		(1)	(1)
	Received commitments	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF). (Refer to Note 11—Equity-accounted securities).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

25.6. Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at end 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

25.7. Contingent Assets and Liabilities

Following the successful takeover bid of June 2008 which enabled the Group to acquire a 96.41% stake in Neuf Cegetel, the Group initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure(June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Note 26. Litigation

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case, the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

Note 26. Litigation (Continued)

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had during the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described below.

All material Legal Proceedings in which SFR is a plaintiff or a defendant are disclosed in this note.

Complaint of Bouygues Telecom against SFR and Orange concerning the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority (the "Competition Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and amount of these claims, which Vivendi believes cannot, in any case, exceed €250 million in total. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and has been suspended.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.

Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court of (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR

On June 6, 2009, Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged on-net/off-net pricing discrimination practices implemented by SRR on the mobile market in Mayotte and Réunion.

On September 16, 2009, the French Competition Authority (the "Competition Authority") imposed protective measures on SRR, pending its decision on the merits. Following this decision, on June 17, 2013, Outremer Telecom filed a claim before the Paris Commercial Court against SFR and SRR in respect of the consumer market and the business market for damages it claims to have suffered as a result of the practices reported in the notification to the Competition Authority. The Court has issued a stay of these proceedings. On July 12, 2013, SRR received a notification of grievances concerning its practices on the consumer market and did not contest it. The amount of the fine to be imposed on SRR is currently under review by the Competition Authority.

Note 26. Litigation (Continued)

Complaint against Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Complaint of Orange against SFR before the Paris Commercial Court (overflow case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair “overflow” and to order SFR to pay the sum of €309.5 million in penalties established by mutual agreement. SFR is accused of having deliberately organized the overflow onto the Orange network for the purpose of optimizing the economic performance of its own network (undersizing of “PDB”/[“BPN”] commands). On December 10, 2013, the Court ordered SFR to pay €22.1 million to Orange. SFR and Orange have appealed this decision.

SFR against Orange: abuse of dominant position on the secondary residence market

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the retail market for mobile telephony services to non-residential customers, and seeking damages of between €122 million and €129 million.

On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51.4 million to SFR for abuse of its dominant position on the secondary residence market.

Free against SFR: unfair competition for non-compliance with provisions inherent to consumer credit in respect of offers with subsidies

On May 21, 2012, Free filed a complaint before the Paris Commercial Court against SFR. Free is challenging the subsidy model associated with SFR’s *Carrée* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and as such, SFR is guilty of unfair practices, by not respecting the provisions inherent to consumer credit including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free’s claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

UFC against SFR: abusive clauses

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (Tribunal de Grande Instance*)* against SFR alleging that the general conditions of use of SFR’s *La Carte* offering contain abusive clauses. The UFC is seeking the removal of these clauses and damages.

SFR against Orange (ZND case)

On November 26, 2012, SFR notified the French Competition Authority about practices constituting an abuse of dominant position on the retail high-speed internet access market in non-unbundled areas.

CLCV summons against SFR

On January 7, 2013, the French consumer protection association, CLCV (Consumption housing and quality of life) filed a complaint before the Paris Tribunal of First Instance against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be abusive and is seeking the removal of such clauses. It is also seeking compensation for the collective loss.

Note 26. Litigation (Continued)

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils des Prud'hommes) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court.

Disputes with independent distributors (Consumers and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR . Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 27. List of Combined Entities

Company	Country Registered office	Group interests			Method[1]		
		2013	2012	2011	2013	2012	2011
SFR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SIG 50 SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications BV	Netherlands	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Italie Srl	Italy	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Suisse SA	Suisse	100.0%	100.0%	100.0%	FC	FC	FC
2SID SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
2SIP SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Cinq sur Cinq SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Ariège Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Buzz SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Cap Connexion SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
CID SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Debitex Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Efixo SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Eur@seine SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
FOD SNC	France	100.0%	100.0%	100.0%	FC	FC	FC
Futur Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Gravelines Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Haut-Rhin Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Loiret THD SAS	France	100.0%	—	—	FC	—	—
MACS THD SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Opalys Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rennes Métropole Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rimbaud Gestion B SCI	France	100.0%	—	—	FC	—	—

Note 27. List of Combined Entities (Continued)

Company	Country Registered office	Group interests 2013	Group interests 2012	Group interests 2011	Method[(1)] 2013	Method[(1)] 2012	Method[(1)] 2011
Foncière Velizy SCI	France	100.0%	100.0%	—	FC	FC	—
SFCM SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Collectivités SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Développement SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SID SCS	France	100.0%	100.0%	—	FC	FC	—
SNBL SA	France	100.0%	100.0%	—	FC	FC	—
SRR SCS	France	100.0%	100.0%	100.0%	FC	FC	FC
SHD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LTBR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network Part. SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Service Client SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Iris 64 SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Manche Telecom SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Medi@lys SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Teloise SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Alsace Connexia Part. SAS	France	61.9%	61.9%	61.9%	FC	FC	FC
Synerail Exploitation SAS	France	60.0%	60.0%	60.0%	FC	FC	FC
Inolia SA	France	60.0%	60.0%	60.0%	FC	FC	FC
Moselle Telecom Part. SAS	France	56.0%	56.0%	56.0%	FC	FC	FC
Comstell SAS	France	50.0%	50.0%	50.0%	FC	FC	FC
Alsace Connexia SAS	France	43.3%	43.3%	43.3%	FC	FC	FC
Moselle Telecom SAS	France	39.2%	39.2%	39.2%	FC	FC	FC
Irisé SAS	France	25.0%	25.0%	25.0%	FC	FC	FC
Foncière Rimbaud 3 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 4 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 1 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Foncière Rimbaud 2 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Dokeo TV SAS	France	50.0%	—	—	EA	—	—
La Poste Telecom SAS	France	49.0%	49.0%	49.0%	EA	EA	EA
Nomotech Finances SAS	France	48.5%	48.5%	48.5%	EA	EA	EA
Numergy SAS	France	46.7%	46.7%	—	EA	EA	—
Synerail Construction SAS	France	40.0%	40.0%	40.0%	EA	EA	EA
VOD Factory SAS	France	40.0%	—	—	EA	—	—
Fischer Telecom SAS	France	34.0%	34.0%	34.0%	EA	EA	EA
Synerail SAS	France	30.0%	30.0%	30.0%	EA	EA	EA
Webwag SAS	France	27.0%	27.0%	27.0%	EA	EA	EA
Buyster SA	France	25.3%	25.6%	26.0%	EA	EA	EA
Ocealis SAS	France	25.0%	25.0%	25.0%	EA	EA	EA
AF 83 SAS	France	24.6%	24.6%	24.6%	EA	EA	EA
Sud Partner SARL	France	24.0%	24.0%	24.0%	EA	EA	EA
Sofialys SAS	France	23.8%	26.0%	24.5%	EA	EA	EA
Idenum SAS	France	21.0%	—	—	EA	—	—
Velizy Invest Eurl	France	nc	100.0%	—	nc	FC	—
Supertec SAS	France	nc	26.2%	26.2%	nc	EA	EA
M2M Solution SAS	France	nc	23.4%	23.4%	nc	EA	EA
FCT TEMA	France	nc	nc	100.0%	nc	nc	FC
Neuf Assistance SAS	France	nc	nc	100.0%	nc	nc	FC
Neuf Center SAS	France	nc	nc	100.0%	nc	nc	FC
Digitick SA	France	nc	nc	27.5%	nc	nc	EA

(1) FC = Full combination; EA = Equity-Accounted; nc = not combined

Note 27. List of Combined Entities (Continued)

At December 31, 2011, there remained one Dutch company (SPADIX BV) specifically created under the lease/sublease agreements entered into in 2001, in which the combined group has no shareholding. This company departed from the scope of combination in 2012.

Note 28. Subsequent Events

On January 31, 2014, SFR and Bouygues signed a strategic network sharing agreement. The two operators are to roll out a new shared mobile network over an area covering 57% of the population. This agreement will enable both operators to improve their mobile coverage and generate significant savings. The agreement is effective upon signature with the creation of a joint venture, and the shared network is expected to be completed by the end of 2017. This agreement had no impact on the combined financial statements as of December 31, 2013. Pending its implementation, this agreement represents a net commitment received by SFR of approximately €460 million, which applies over the entire duration of the long-term agreement.

On February 13, 2014, Vivendi announced it had entered into exclusive negotiations with the Belgacom Group in order to acquire 100% of the shares of Groupe Telindus France. Groupe Telindus France is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Telindus France aims to reinforce the Vivendi French telecoms segment alongside SFR, which will thus considerably strengthen its presence on the adjacent market of telecoms integration and will enable to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Within the framework of its public service outsourcing activity since 2004 in Oise département, the Group has committed to launching a new project "Oise THD" ("Oise Very High Speed Internet") for the operation and marketing of 280,000 FTTH outlets. The contract is to be signed in March 2014. The total commitment should amount to €125 million over 15 years.

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