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 (THE ''SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S., ISRAEL OR OTHER JURISDICTIONS AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., ISRAEL OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OR ANY ISRAELI PERSONS.

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 of 1933, as amended (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) or (iii) if an Israeli person, (A) be a ''qualified investor'' (as defined in the First Appendix to the Israeli Securities Law) who is not an individual (a ''Qualified Israeli Investor''), (B) complete and sign a questionnaire regarding qualification as a Qualified Israeli Investor and deliver it to J.P. Morgan Securities plc and (C) certify that it has an exemption from Israeli withholding taxes on interest and deliver a copy of such certification to J.P. Morgan Securities plc. 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), (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission or (C) you are a Qualified Israeli Investor and have an exemption from Israeli withholding taxes on interest.

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 their 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.

Subject to Completion. Dated April 14, 2014

The information contained within this preliminary Canadian Offering Memorandum is not complete and may be changed. No final investment decision by any prospective purchaser should be taken prior to reading the final Canadian Offering Memorandum. This preliminary Canadian Offering Memorandum is not, and under no circumstances is it to be construed as, an offer to sell the Notes or a solicitation of an offer to buy the Notes in any jurisdiction where the offer or sale of these Notes is prohibited.

CANADIAN OFFERING MEMORANDUM

CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

This Canadian Offering Memorandum (this "Canadian Offering Memorandum") constitutes an offering of the securities described herein only in the provinces of Ontario and Québec and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell these securities. This Canadian Offering Memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of these securities in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of these securities, and any representation to the contrary is an offence.

private placement in Canada of

€6,040,000,000 (equivalent)

€500,000,000	**% Senior Secured Notes due 2019**
$920,000,000	**% Senior Secured Notes due 2019**
€1,000,000,000	**% Senior Secured Notes due 2022**
$2,000,000,000	**% Senior Secured Notes due 2022**
€1,000,000,000	**% Senior Secured Notes due 2024**
$2,000,000,000	**% Senior Secured Notes due 2024**

issued by

NUMERICABLE GROUP S.A.

THE OFFERING

Attached hereto and forming part of this Canadian Offering Memorandum is an Offering Memorandum dated , 2014 (the "U.S. Offering Memorandum") regarding the offer for sale of the Notes (as defined below) being made in the United States and elsewhere. **Except as otherwise provided herein, capitalized and other terms used within this Canadian Offering Memorandum without definition have the meanings assigned to them in the U.S. Offering Memorandum, as applicable.**

Numericable Group S.A., a public limited liability company (*société anonyme*) organized and established under the laws of France (the "Issuer") is offering $920 million aggregate principal amount of its % senior secured notes due 2019 (the "Dollar 2019 Notes"), €500 million aggregate principal amount of its % senior secured notes due 2019 (the "Euro 2019 Notes" and together with the Dollar 2019 Notes, the "2019 Notes"), $2,000 million aggregate principal amount of its % senior secured notes due 2022 (the "Dollar 2022 Notes"), €1,000 million aggregate principal amount of its % senior secured notes due 2022 (the "Euro 2022 Notes" and, together with the Dollar 2022 Notes, the "2022 Notes"), $2,000 million aggregate principal amount of its % senior secured notes due 2024 (the "Dollar 2024 Notes" and, together with the Dollar 2019 Notes and the Dollar 2022 Notes, the "Dollar Senior Secured Notes"), and €1,000 million aggregate principal amount of its % senior secured notes due 2024 (the "Euro 2024 Notes" and, together with the Euro 2019 Notes and the Euro 2022 Notes, the "Euro Senior Secured Notes," and the Euro Senior Secured Notes together with the Dollar Senior Secured Notes, the "Notes"). The offering of the Notes (the "Offering") is being made on the terms and conditions set forth in the U.S. Offering Memorandum.

In Canada, the Offering is being made on a private placement basis in the provinces of Ontario and Québec only (collectively, the "Provinces") through the Initial Purchasers of the Offering who are permitted under applicable securities laws to offer and sell the Notes in those Provinces. The Notes have not been nor will they be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the Notes in Canada will be made on a basis which is exempt from the prospectus requirements of Canadian securities laws. Canadian investors should refer to the sections entitled "The Offering", "Risk Factors", "The Transactions", "Use of Proceeds", "Description of Notes" and "Plan of Distribution" in the U.S. Offering Memorandum for additional information pertaining to the Notes and the terms of the Offering.

The date of this Canadian Offering Memorandum is , 2014.

RELATIONSHIP BETWEEN THE INITIAL PURCHASERS AND THEIR RESPECTIVE AFFILIATES AND THE ISSUER AND ITS AFFILIATES

Goldman Sachs International and/or certain of its affiliates and Deutsche Bank, Paris Branch or certain of its respective affiliates are currently acting as financial advisers to Vivendi in connection with the Acquisition. Each of the Initial Purchasers or one of their affiliates are or will be lenders under the Numericable Group Revolving Credit Facilities and the Numericable Group Term Loan. Additionally, Deutsche Bank AG, London Branch, Crédit Agricole Corporate and Investment Bank, BNP Paribas and ING Bank France and/or their respective affiliates are also mandated lead arrangers and/or lenders under the Ypso France Senior Facility Agreement and they and other Initial Purchasers may hold positions therein and in the February 2012 Notes and/or the October 2012 Notes, which will be indirectly repaid using the proceeds of the Notes offered hereby. In addition, certain of the Initial Purchasers or their affiliates are party to certain of the Issuer's hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions in the Issuer, or its current or future subsidiaries and affiliates and/or financial intermediaries and the financial instruments issued by any of them. Each of the Initial Purchases (other than ING Bank N.V., London Branch) are also party to volume underwriting arrangements, acting severally and not jointly in respect of the Rights Issue and an equity financing of Altice S.A. to be effected in connection with the Transactions. For more information on potential conflicts of interest, see "The Transactions", "Use of Proceeds", "Capitalization", "Description of Other Indebtedness" and "Plan of Distribution" in the U.S. Offering Memorandum.

Accordingly, the Issuer may be considered a "connected issuer" (as defined in National Instrument 33-105—*Underwriting Conflicts*) of, with respect to the Euro Senior Secured Notes, J.P. Morgan Securities plc, with respect to the Dollar Senior Secured Notes, J.P. Morgan Securities LLC, and with respect to the Notes, each of Deutsche Bank AG, London Branch, Goldman Sachs International, Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc and ING Bank N.V., London Branch, for the purposes of applicable Canadian securities laws. The decision to offer the Notes was made solely by the Issuer, and the terms upon which the Notes are being offered were determined by negotiation between the Issuer and the Initial Purchasers. The Issuer is currently in compliance with the terms of each of the credit facilities referred to above (collectively, the "Credit Facilities"), and no breach thereof has been waived by any of the Initial Purchasers or their respective affiliates since the execution of the Credit Facilities. Other than as disclosed in the U.S. Offering Memorandum, the financial position of the Issuer has not materially changed since the execution of the Credit Facilities.

Where the U.S. Offering Memorandum remains subject to amendment or completion, this Canadian Offering Memorandum remains similarly subject to amendment or completion. The Offering of the Notes in Canada is being made solely by this Canadian Offering Memorandum, and any decision to purchase the Notes should be based solely on information contained in the final version of this document. No person has been authorized to give any information or to make any representations concerning this Offering other than as contained herein. Statements made within this Canadian Offering Memorandum are as of the date of this Canadian Offering Memorandum unless expressly stated otherwise. Neither the delivery of this Canadian Offering Memorandum at any time, nor any other action with respect hereto, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

The information in the U.S. Offering Memorandum has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, Canadian investors should consult with their own legal, financial and tax advisers concerning the information in the U.S. Offering Memorandum and as to the suitability of an investment in the Notes in their particular circumstances.

The Notes are denominated in currencies other than Canadian dollars. Accordingly, the Canadian dollar value of the Covered Bonds will fluctuate with changes in the rate of exchange between the applicable currency and the Canadian dollar.

REPRESENTATIONS AND AGREEMENT BY PURCHASERS

Each purchaser of Notes in Canada will be deemed to have represented to the Issuer, the Initial Purchasers, the Guarantors and each dealer participating in the sale of the Notes that such purchaser or any ultimate purchaser for which such purchaser is acting as agent:

(a) is resident in one of the Provinces;

(b) is basing its investment decision solely on the final version of this Canadian Offering Memorandum and not on any other information (including, but not limited to, advertisements in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada) concerning the Issuer, the Guarantors or the Offering;

(c) has reviewed and acknowledges the terms referred to below under the heading ''Canadian Resale Restrictions'';

(d) is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws, and without limiting the generality of the foregoing the purchaser is an ''accredited investor'' as defined in section 1.1 of National Instrument 45-106—*Prospectus and Registration Exemptions* (''NI 45-106'') and is either purchasing the Notes as principal for its own account, or is deemed to be purchasing Notes as principal by applicable law;

(e) if the purchaser is an ''accredited investor'' in reliance on paragraph (m) of the definition of ''accredited investor'' in section 1.1 of NI 45-106, the purchaser was not created or used solely to purchase or hold securities as an accredited investor under that paragraph (m);

(f) is a ''permitted client'' as defined in section 1.1 of National Instrument 31-103—*Registration Requirements, Exemptions and Ongoing Registrant Obligations*; and

(g) acknowledges that the Notes are being distributed in Canada on a private placement basis only and agrees to resell the Notes only in accordance with the requirements of applicable securities laws.

LANGUAGE OF DOCUMENTS

Each purchaser of Notes in Canada hereby agrees that it is the purchaser's express wish that all documents evidencing or relating in any way to the sale of the Notes be drafted in the English language only. *Chaque acheteur au Canada des valeurs mobilières reconnaît que c'est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.*

CANADIAN RESALE RESTRICTIONS

The distribution of the Notes in the Provinces is being made on a private placement basis. Accordingly, any resale of the Notes must be made: (i) through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements of applicable provincial securities laws; and (ii) in accordance with, or pursuant to an exemption from, or in a transaction not subject to, the prospectus requirements of applicable provincial securities laws. These Canadian resale restrictions may in some circumstances apply to resales made outside of Canada. **Purchasers of Notes are advised to seek Canadian legal advice prior to any resale of the Notes, both within and outside of Canada.**

STATUTORY RIGHTS OF ACTION

Ontario Investors

Under Ontario securities legislation, certain purchasers who purchase a Note offered by this Canadian Offering Memorandum during the period of distribution will have a statutory right of action for damages, or while still the owner of the Notes, for rescission against the Issuer or any selling security holder if this Canadian Offering Memorandum contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the Notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the Notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Issuer or any selling security holder. In no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser and if the purchaser is shown to have purchased the Notes with knowledge of the misrepresentation, the Issuer and any selling security holder will have no liability. In the case of an action for damages, the Issuer and any selling security holder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Not all defences upon which the Issuer, the selling security holder or others may rely are described herein. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

ENFORCEMENT OF LEGAL RIGHTS

All of the directors and officers of the Issuer and the Guarantors, as well as the Initial Purchasers and any experts named in this Canadian Offering Memorandum are likely to be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Issuer, the Guarantors or those persons. All or a substantial portion of the assets of the Issuer, the Guarantors and those persons are likely to be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Issuer, the Guarantors or those persons in Canada or to enforce a judgment obtained in Canadian courts against the Issuer, the Guarantors or those persons outside of Canada.

CANADIAN TAX CONSIDERATIONS

THIS CANADIAN OFFERING MEMORANDUM DOES NOT ADDRESS THE CANADIAN TAX CONSEQUENCES OF THE ACQUISITION, HOLDING OR DISPOSITION OF THE NOTES. PROSPECTIVE PURCHASERS OF NOTES ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE CANADIAN AND OTHER TAX CONSIDERATIONS APPLICABLE TO THEM.

PERSONAL INFORMATION

By purchasing Notes, the purchaser acknowledges that the Issuer, the Guarantors and their respective agents and advisers may each collect, use and disclose its name and other specified personally identifiable information (the ''Information''), including the amount of Notes that it has purchased for purposes of meeting legal, regulatory and audit requirements and as otherwise permitted or required by law or regulation. The purchaser consents to the disclosure of that Information.

By purchasing Notes, the purchaser acknowledges that Information concerning the purchaser (A) will be disclosed to the relevant Canadian securities regulatory authorities, including the Ontario Securities Commission, and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the purchaser consents to the disclosure of the Information; (B) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation; and (C) is being collected for the purposes of the administration and enforcement of the applicable Canadian securities legislation. By purchasing Notes, the purchaser shall be deemed to have authorized such indirect collection of personal information by the relevant Canadian securities regulatory authorities. Questions about such indirect collection of Information by the Ontario Securities Commission should be directed to the Administrative Support Clerk, Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8 or to the following telephone number (416) 593-3684.

Subject to Completion, Dated April 14, 2014

PRELIMINARY OFFERING MEMORANDUM

CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

€6,040,000,000 (equivalent)

€500,000,000	**% Senior Secured Notes due 2019**
$920,000,000	**% Senior Secured Notes due 2019**
€1,000,000,000	**% Senior Secured Notes due 2022**
$2,000,000,000	**% Senior Secured Notes due 2022**
€1,000,000,000	**% Senior Secured Notes due 2024**
$2,000,000,000	**% Senior Secured Notes due 2024**

issued by

NUMERICABLE GROUP S.A.

Numericable Group S.A., a public limited liability company (*société anonyme*) organized and established under the laws of France (the ''Issuer''), is offering €500,000,000 aggregate principal amount of its % senior secured notes due 2019 (the ''Euro 2019 Notes''), $920,000,000 aggregate principal amount of its % senior secured notes due 2019 (the ''Dollar 2019 Notes'' and, together with the Euro 2019 Notes, the ''2019 Notes''), €1,000,000,000 aggregate principal amount of its % senior secured notes due 2022 (the ''Euro 2022 Notes''), $2,000,000,000 aggregate principal amount of its % senior secured notes due 2022 (the ''Dollar 2022 Notes'' and, together with the Euro 2022 Notes, the ''2022 Notes''), €1,000,000,000 aggregate principal amount of its % senior secured notes due 2024 (the ''Euro 2024 Notes'' and, together with the Euro 2019 Notes and the Euro 2022 Notes, the ''Euro Senior Secured Notes''), and $2,000,000,000 aggregate principal amount of its % senior secured notes due 2024 (the ''Dollar 2024 Notes'' and, together with the Dollar 2019 Notes and the Dollar 2022 Notes, the ''Dollar Senior Secured Notes,'' and the Euro Senior Secured Notes together with the Dollar Senior Secured Notes, the ''Notes''). The Issuer will pay interest on the Notes, as applicable, semi-annually in cash in arrears on January 15 and July 15 of each year, commencing on July 15, 2014. The 2019 Notes will mature on , 2019, the 2022 Notes will mature on , 2022 and 2024 Notes will mature on , 2024.

On the Issue Date (as defined below), the Initial Purchasers will deposit the gross proceeds from the offering of the Notes into segregated Escrow Accounts (as defined herein) in the name of the Issuer for the benefit of the holders of the relevant series of Notes. The release of the escrow proceeds will be subject to the conditions set forth in ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*''. If the conditions for the release of the escrow proceeds are not satisfied prior to April 30, 2015 or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption at 100% of the initial issue price of each such Note plus accrued and unpaid interest and additional amounts, if any, from the Issue Date.

At any time prior to , 2016, the Issuer may redeem some or all of the 2019 Notes at a price equal to 100% of the principal amount plus a ''make whole'' premium and up to 40% of the 2019 Notes at a redemption price set forth herein with the net proceeds from one or more specified equity offerings. At any time on or after , 2016, the Issuer may redeem some or all of the 2019 Notes at the redemption prices set forth herein. At any time prior to , 2017, the Issuer may redeem some or all of the 2022 Notes at a price equal to 100% of the principal amount plus a ''make whole'' premium and up to 40% of the 2022 Notes at the redemption prices set forth herein with the net proceeds from one or more specified equity offerings. At any time on or after , 2017, the Issuer may redeem some or all of the 2022 Notes at the redemption prices set forth herein. At any time prior to , 2017, the Issuer may redeem up to 40% of the 2024 Notes at the redemption prices set forth herein with the net proceeds from one or more specified equity offerings and at any time prior to , 2019, the Issuer may redeem some or all of the 2024 Notes at a price equal to 100% of the principal amount plus a ''make whole'' premium. At any time on or after , 2019, the Issuer may redeem some or all of the 2024 Notes at the redemption prices set forth herein.

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

The Notes will be senior secured obligations of the Issuer. Prior to the release of all of the proceeds of the offering of the Notes from the applicable Escrow Accounts, each series of the Notes will be secured by a first ranking pledge over the Issuer's rights under the applicable Escrow Agreements (as defined herein) and the assets in the Escrow Accounts, in each case, applicable to that series of the Notes.

Following the release of the proceeds of the offering of the Notes from the Escrow Accounts (the date of such release, the ''Completion Date''), the Notes will be guaranteed on a senior basis by the Completion Date Guarantors (as defined herein), and within 90 days after the Completion Date, the Notes will be guaranteed on a senior basis by the Post-Completion Date Guarantors (as defined herein) and will be secured by the Notes Collateral (as defined herein). Under the terms of the Numericable Group Intercreditor Agreement (as defined herein), 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 Numericable Group Term Loan, the lenders under the Numericable Group Revolving Credit Facilities and counterparties to certain hedging agreements subject to the terms thereof. In addition, 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 32 of this offering memorandum.

The Notes and the Guarantees have not been and will not be registered under the 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. In the United States, this offering is being made only to ''qualified institutional buyers'' (as defined in Rule 144A under the U.S. Securities Act (''Rule 144A'')) in compliance with Rule 144A. You are hereby notified that the Initial Purchasers (as defined herein) of the Notes may be relying on the exemption from certain provisions of the U.S. Securities Act provided by Rule 144A. Outside the United States, this offering is being made 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 Dollar Senior Secured Notes will be in registered form in minimum denominations of $200,000 and integral multiples of $1,000 above $200,000. The Euro Senior Secured Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000. Each series of Notes will be represented on issue by one or more global notes that will be delivered through The Depository Trust Company (''DTC''), Euroclear SA/NV (''Euroclear'') and Clearstream Banking, *société anonyme*, as applicable, on or about , 2014 (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*''.

Euro 2019 Notes price:	**% plus accrued interest from the Issue Date**
Dollar 2019 Notes price:	**% plus accrued interest from the Issue Date**
Euro 2022 Notes price:	**% plus accrued interest from the Issue Date**
Dollar 2022 Notes price:	**% plus accrued interest from the Issue Date**
Euro 2024 Notes price:	**% plus accrued interest from the Issue Date**
Dollar 2024 Notes price:	**% plus accrued interest from the Issue Date**

Joint Global Coordinators and Joint Lead Bookrunners (for the Euro Senior Secured Notes and the Dollar Senior Secured Notes)

J.P. Morgan **Deutsche Bank** **Goldman Sachs International**

Joint Lead Bookrunners (for the Euro Senior Secured Notes and the Dollar Senior Secured Notes)

Barclays **BNP PARIBAS** **Crédit Agricole CIB** **Credit Suisse** **Morgan Stanley** **ING**

Joint Bookrunner (for the Euro Senior Secured Notes)

Natixis

The date of this offering memorandum is , 2014.

The information in this preliminary offering memorandum is not complete and may be changed. The Issuer may not sell these securities until the offering memorandum is delivered in final form. 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.

You should rely only on the information contained in this offering memorandum. Neither we, the Issuer nor the Initial Purchasers (as defined herein), has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon as having been authorized by us. The Issuer and the Initial Purchasers are not making an offer of the Notes in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

IMPORTANT INFORMATION

This offering memorandum is confidential and has been prepared by the Issuer solely for use in connection with this offering. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Notes is unauthorized, and any disclosure of any of the contents of this offering memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and of the Group and the terms of this offering, including the merits and risks involved. In addition, neither we, the Issuer nor any Initial Purchaser nor any of the Issuer's or the Initial Purchasers' respective representatives is making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither we, the Issuer nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

The Initial Purchasers, the Trustee, the Security Agent and the other agents make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. 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.

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 the Issuer and its subsidiaries and the Notes 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*'', ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group*'', ''*Industry, Competition and Market Overview*'' and ''*Business of the Numericable 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 neither does not accept further responsibility in respect thereof.

The historical information relating to the SFR Group included or referred to in this offering memorandum has been obtained by the Numericable Group from public filings by Vivendi S.A. (''Vivendi'') and its subsidiaries, and the Numericable Group has relied on such information, together with certain limited additional information provided by Vivendi and/or SFR, in the preparation of this offering memorandum. None of Vivendi, SFR or any of their respective subsidiaries are issuers of the Notes and, accordingly, each investor will be deemed to represent and warrant that such investor has not relied upon Vivendi, SFR or any person affiliated with Vivendi or SFR in connection with its investigation of the accuracy of the information of SFR contained or incorporated by reference in this offering memorandum. None of Vivendi, SFR or any persons affiliated with accepts any liability in relation to any such information.

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, Euroclear and Clearstream currently in effect. While we and the Issuer accept responsibility for accurately summarizing the information concerning DTC, Euroclear and Clearstream, we accept 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.

By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us or the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

None of the U.S. Securities and Exchange Commission (the ''SEC''), any state securities commission or any other regulatory authority has approved or disapproved of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary could be a criminal offense in certain countries.

The Issuer and the Initial Purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. The Issuer and the Initial Purchasers also reserve the right to sell less than all of the Notes offered by this offering memorandum or to sell to any purchaser less than the amount of Notes it has offered to purchase.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold in the United States, except in compliance with Rule 144A under the U.S. Securities Act. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please see ''*Notice to Investors*'' and ''*Plan of Distribution*''.

The distribution of this offering memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Please see ''*Notice to European Economic Area Investors*'', ''*Notice to Investors in France*'' and ''*Notice to U.K. Investors*''.

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 Euroclear, Clearstream and/or 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 Euroclear, Clearstream and/or DTC and their respective participants. After the initial issuance of the global notes, notes in certificated form will be issued in exchange for the global notes only as set forth in the Indentures. Please see ''*Book-Entry, Delivery and Form*''.

STABILIZATION

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

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

This offering memorandum has been prepared on the basis that the offer and sale of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below) as implemented in member states of the European Economic Area (''EEA''), from the requirement to produce and publish a prospectus that is compliant with the Prospectus Directive, as so implemented, for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA or any of its member states (each a ''Relevant Member State'') of the Notes which are the subject of the placement referred to in this offering memorandum must only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce and publish a prospectus that is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented for such offer. For EEA jurisdictions that have not implemented the Prospectus Directive, all offers of the Notes must be in compliance with the laws of such jurisdictions. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute a final placement of the Notes.

In relation to each Relevant Member State, each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

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

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

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall result in a requirement for the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

U.S. TREASURY DEPARTMENT CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. TREASURY DEPARTMENT CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN IN

CONNECTION WITH THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON EACH TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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 transfer. 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 Notes 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 French Code monétaire et financier and Title I of Book II of the Règlement Général of the Autorité des marchés financiers (the French financial markets authority or ''AMF''). Consequently, the Notes have not been and will not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and no 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.

The Notes may only be offered or sold in France to (i) providers of third party portfolio management investment services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, acting for their own account, all as defined in and in accordance with articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*.

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 French financial market authority (*Autorité des marchés financiers*) 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 under articles D. 411-1 to D. 411-3, D. 744-1, D. 754-1 and D. 764-1 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

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 (the ''FSMA'') by, a person authorized under the FSMA. This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the FSMA (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 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. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer.

NOTICE TO LUXEMBOURG INVESTORS

This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services 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 Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended (the ''Prospectus Act'') and implementing the Prospectus Directive. Consequently, this offering memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act and (ii) no more than 149 prospective investors, which are not qualified investors.

NOTICE TO ISRAELI INVESTORS

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

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, they 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, Luxembourg. Copies of the Indentures governing the Notes, the forms of the Notes and the Numericable Group 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 Indentures 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 Numericable Group and certain of its subsidiaries, including, among others, number of homes passed, subscribers, RGUs, RGUs per individual issuer and ARPUs, which the Numericable Group's management uses to track the financial and operating performance of our businesses. In addition, this offering memorandum includes information relating to certain key performance indicators with respect to SFR which we will use to track the Combined Group. In each case, none of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of the measures relating to the Numericable Group are derived from the internal operating systems of the Numericable Group. As defined by the Numericable Group or SFR, as applicable, these terms may not be directly comparable to corresponding or similar terms used by competitors or other companies. SFR and the Numericable Group define certain key performance indicators such as ARPU, differently. Please refer to the meanings of these terms as defined by the Numericable Group and SFR 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 our 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.

We have 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 we believe to be reliable, including a market study commissioned by the Numericable Group from an international management consulting firm. Nonetheless, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases, we have made statements in this offering memorandum regarding our industry and position in the industry based on our experience and our own investigation of market conditions. Internal company analyses, surveys or information, which we believe to be reliable, have not been verified by any independent sources and we cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry. Neither we 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 includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ''believes,'' ''estimates,'' ''anticipates,'' ''expects,'' ''assumes,'' ''plans,'' ''risks,'' ''positioned,'' ''intends,'' ''may,'' ''will'' or ''should'' or, in each case, their negative, or other variations or other comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and which may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward looking statements. Forward-looking statements are not guarantees of future performance and our actual financial condition, actual results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- 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;
- market acceptance of new product introductions and product innovations;
- product quality issues, in particular in connection with LaBox;
- the Group's response to technological developments, including its decisions to continue or discontinue certain products and services;
- customer churn;
- our ability to execute the Transactions in the manner and within the timetable currently envisaged;
- our ability to integrate acquired businesses and realize planned synergy benefits from the acquisitions (including, without limitation, SFR following the Acquisition);
- our ability to manage three different networks (cable as well as mobile and DSL);
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to be realized from the Acquisition;
- pressure on customer service;
- adverse developments in the Group's relationships with program providers and broadcasters;
- changes in consumer preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, fixed—and mobile telephony and broadband Internet services and the average revenue per household or new customers;
- risks related to services and products provided by third parties, including its agreements with its mobile network provider;
- risks related to the Group's capital expenditures;
- 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;

- strikes and other labor movements;
- 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;
- the risk that the Group may not be able to protect its image, reputation and brands;
- perceived or actual health risks and other environmental requirements relating to mobile operations;
- the risk that changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of tangible and intangible assets, including goodwill;
- risks associated with the Group's significant leverage and the restrictions imposed by its debt instruments;
- fluctuations in currency exchange rate, inflation and interest rates;
- negative changes to our credit rating;
- the Group's dependence on the ability of its operating subsidiaries to generate profits and pay their debts;
- 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;
- negative developments 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;
- our ultimate parent's interest may conflict with our interests;
- the risk that the Group may not be able fully to utilize its deferred tax assets; and
- the other factors described in more detail under ''*Risk Factors*''.

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 Numericable Group*'', ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR*'', ''*Industry Overview*'', ''*Business of the Numericable Group*'' and ''*Business of SFR*'' 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.

These forward-looking statements speak only as of the date of this offering memorandum. We operate 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, we expressly disclaim any obligation or undertaking 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 cost reductions and other benefits expected to arise from the Acquisition as well as related costs to implement the Acquisition. The estimates present the expected future impact of this transaction and the 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 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 IFRS as adopted in the European Union.

Financial Statements Presented

Historical Financial Information of the Numericable Group

The Issuer was formed on August 2, 2013 and Ypso Holding S.à r.l. and its subsidiaries (the ''Ypso Sub-Group'') and Altice B2B Lux Holding S.à r.l. and its subsidiaries (the ''Altice B2B Sub-Group'') were contributed on November 7, 2013 to the Issuer. Accordingly, this offering memorandum includes:

- the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2013, prepared in accordance with IFRS as adopted in the European Union, which have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG SA; and
- the audited combined financial statements for the Issuer as of and for the years ended December 31, 2012, 2011 and 2010, prepared in accordance with IFRS as adopted in the European Union, which have been audited by Deloitte & Associés.

The above-mentioned financial statements of the Issuer, and information directly derived from such consolidated financial statements and combined financial statements, are referred to herein as the ''Historical Financial Information of the Numericable Group''.

The combined financial statements of the Numericable Group for the years ended December 31, 2010, 2011 and 2012 have been prepared to reflect the contribution of Ypso Holding S.à r.l, parent company of Ypso France, and Altice Lux Holding S.à r.l, indirect parent company of Altice B2B France to the Issuer, on November 7, 2013, in the context of the listing of the Issuer's shares on Euronext Paris. The contribution has been accounted at the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to the Ypso Sub-Group and the Altice B2B Sub-Group, which were historically separate legal groups, under common control and management, and are based on the separate consolidated financial statements of each sub-group. For further information, see Note 1.2 and Note 1.4 to the Numericable Group's combined financial statements for the years ended December 31, 2010, 2011 and 2012. All companies in which a sub-group had a controlling interest, namely those in which it had the power to govern financial and operational policies in order to obtain benefits from their operations, are included in the scope of the combination. The effects of transactions between the two sub-groups on assets, liabilities, revenue and expense for periods presented have been eliminated in full in the consolidated annual financial statements. Non-controlling interests in subsidiaries are identified separately from the Group's equity under ''other financial assets'' in the Group's combined annual financial statements.

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 Numericable 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.

Historical Financial Information of SFR

Following the completion of the Transactions, the Group expects that it will own substantially all of the equity interests in SFR. This offering memorandum includes the following financial information of SFR prepared in accordance with IFRS:

- the audited combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013, which have been audited by KPMG and Ernst & Young (the ''Historical Financial Statements of SFR'').

The Combined Financial Statements cover the following parameters: (i) SFR (ii) telephony companies in France, (iii) entities held directly or indirectly by SFR and its subsidiaries and (iv) Vivendi SA's (''Vivendi'') participation in the telecommunications products and services distribution activity (which will be transferred to the Numericable Group as part of the Transactions).

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

The Historical Financial Statements of SFR are created in accordance with IFRS standards that require 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 management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the Historical Financial Statements of SFR 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, SFR has historically 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.

The estimates and management assumptions used by the management of SFR 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.

The audited combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013, and the report of the Réviseur d'entreprises agréé thereon, can also be located on Vivendi's website at http://www.vivendi.com.

Pro Forma Financial Information

This offering memorandum includes the following pro forma condensed financial information of the Issuer giving effect to the Transactions:

- the unaudited pro forma condensed consolidated income statement of the Issuer for the year ended December 31, 2013 (as if the Transactions were completed on January 1, 2013); and
- the unaudited pro forma condensed consolidated balance sheet of the Issuer as of December 31, 2013 (as if the Transactions were completed on December 31, 2013).

The above-mentioned pro forma condensed consolidated financial statements of the Issuer, and information directly derived from such pro forma consolidated financial statements, are referred to herein as the ''Pro Forma Financial Information''.

The Pro Forma Financial Information included in this offering memorandum has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities and Exchange Commission, the EU Prospectus Directive or any generally accepted accounting standards.

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

- 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 or reviewed in accordance with any generally accepted auditing standards or any generally accepted review standards; and
- do not purport to represent what our actual results of operations or financial condition would have been had the Transactions occurred with effect from the date indicated.

The Historical Financial Information of the Issuer, the Historical Financial Information of SFR and the Pro Forma Financial Information do not purport to project the Numericable Group's or SFR's results of operations or financial condition for any future period or as of any future date.

The Pro Forma Financial Information includes the results of operations and financial condition of SFR for the period presented even though we did not control SFR for all or any of the duration of the periods presented and we would not have been permitted under IFRS to consolidate the results of SFR in any historical financial statements. See ''*Pro Forma Financial Information*''.

Non-IFRS Financial Measures

This offering memorandum contains measures and ratios (the ''Non-IFRS Measures''), including EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA (including pro forma synergies) 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 for the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries', operating results as reported under IFRS or other generally accepted accounting standards. The Non-IFRS measures may also be defined differently than the corresponding terms governing our indebtedness, including the Indentures (as defined herein), the Numericable Group Revolving Credit Facilities or the Numericable Group Term Loan. Non-IFRS measures and ratios, such as EBITDA and Adjusted EBITDA, are not measurements of our, or any of our subsidiaries', performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our, or any of our operating entities', operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries', ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for, an analysis of the results of our operating entities as reported under IFRS or other generally accepted accounting standards. Some of these limitations are:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service our indebtedness 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 do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we or our operating subsidiaries eliminate in calculating EBITDA and Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

This offering memorandum contains certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the Acquisition as well as related costs to implement the Acquisition. The estimates present the expected future impact of this transaction and the 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 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.

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.

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 Numericable 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 Note 1 to the consolidated financial statements for the year ended December 31, 2013.

Certain amounts and percentages presented herein have been rounded and, accordingly, the sum of amounts presented may not equal the total. All references in this document to ''€'' are to euro and ''$'' are to U.S. dollars.

CERTAIN DEFINITIONS

Unless otherwise stated or the context otherwise requires, (i) the terms ''Group'', ''we'', ''us'' and ''our'' as used in this offering memorandum refers to Numericable Group S.A. and its subsidiaries (and, following the Transactions, these terms will also include SFR, SIG 50 and their subsidiaries), (ii) the term ''Numericable Group'' and ''Numericable'' as used in this offering memorandum refers to Numericable Group S.A. and its subsidiaries as of the date of this offering memorandum (without giving effect to the Transactions and (iii) the term ''Combined Group'' refers to Numericable Group S.A. and its subsidiaries after giving effect to the Transactions, including SFR, SIG 50 and their subsidiaries. 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.

''Acquisition''	Please see ''*The Transactions*''.
''Acquisition Agreement''	Please see ''*The Transactions*''.
''Acquisition Facility''	The dollar denominated tranche B-3 loans and the euro denominated tranche B-3 loans under the Numericable Group Term Loan, the proceeds of which shall fund the Acquisition.
''Altice''	Altice S.A. and its subsidiaries, unless the context otherwise requires. Registered with the Luxembourg Trade and Companies Register under Number B 183 391, having its registered office at 3, boulevard royal, L-2449 Luxembourg.
''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 named Altice Six S.A., a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg. 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 S.A. Senior Notes''	The €4,150 million equivalent aggregate principal amount of % Senior Notes due 2022 to be issued by Altice on the Issue Date.
''Altice Vivendi Shareholders' Agreement''	Please see ''*The Transactions*''.
''ARCEP''	*Autorité de Régulation des Communications Electroniques et des Postes*, the French regulatory authority for electronic and postal communications.
''Bouygues Telecom'' or ''Bouygues''	Bouygues Telecom S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 397 480 930 RCS Paris, and a telecommunications operator.
''Carlyle''	Carlyle Cable Investment SC, an entity affiliated with the Carlyle Group.
''Cinven''	CCI (F3) S.à r.l., a fund affiliated with Cinven Ltd.
''Coditel Belgium''	Coditel Brabant SPRL, the entity through which we provided cable network services in Belgium prior to our sale of all of the shares of such entity pursuant to a share purchase agreement dated May 19, 2011.
''Coditel Luxembourg''	Coditel S.à r.l., the entity through which we provided cable network services in Luxembourg prior to our sale of all of the

	shares of such entity pursuant to a share purchase agreement dated May 19, 2011.
"Coditel"	Coditel Belgium and Coditel Luxembourg, together.
"Combined Group"	Numericable Group S.A. and its subsidiaries after giving effect to the Transactions, including SFR and its subsidiaries.
"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.
"Completion Date"	Please see "*The Transactions*".
"Contribution"	Please see "*The Transactions*".
"ERISA"	The U.S. Employee Retirement Income Security Act of 1974, as amended.
"EU"	European Union.
"euro", "EUR" or "€"	Euro, the currency of the EU Member States participating in the European Monetary Union.
"Existing Indebtedness"	Indebtedness under the Ypso France Senior Facility Agreement, including for the avoidance of doubt, the February 2012 Notes and the October 2012 Notes, collectively.
"February 2012 Notes"	The 12⅜% Senior Secured Notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on February 14, 2012 in an aggregate principal amount of €360.2 million.
"France Telecom"	France Telecom S.A., a French telecommunications operator that acquired Orange plc in 2001 and merged Orange plc's existing mobile operations into France Telecom S.A. "Orange" is the brand used by France Telecom for its mobile network operator and Internet service provider subsidiaries.
"Free"	Iliad S.A., a French telecommunications operator, which markets its services under the "Free" brand.
"Group", "we", "us" and "our"	Numericable Group S.A. and its subsidiaries (and, following the Transaction, these terms will include SFR, SIG 50 and their subsidiaries).
"Guarantees"	Please see "*Summary—The Offering—Guarantees*".
"Guarantors"	Please see "*Summary—The Offering—Guarantees*".
"IFRS"	International Financial Reporting Standards as adopted by the European Union.
"Indentures"	Each indenture, to be entered into on or about the Issue Date, governing their respective Notes offered hereby.
"Initial Purchasers"	With respect to the Euro Senior Secured Notes, J.P. Morgan Securities plc, with respect to the Dollar Senior Secured Notes, J.P. Morgan Securities LLC, and with respect to the Notes, each of Deutsche Bank AG, London Branch, Goldman Sachs International, Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc and ING Bank N.V., London Branch and with respect to the Euro Senior Secured Notes, Natixis.

''Issue Date''	The date on which the Notes will be issued and the closing of this offering will take place.
''Issuer'' or the ''Company''	Numericable Group S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Republic of France.
''Master Agreement''	Please see ''*The Transactions*''.
''NC Numericable'' or ''NC Numericable S.A.S.''	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 Collateral''	Please see ''*Summary—The Offering—Security*''.
''Notes Collateral Documents''	The security documents under which the security interests over the Notes Collateral have been or will be created.
''Numericable Group'' or ''Numericable''	Numericable Group S.A., and its subsidiaries, collectively.
''Numericable Group Intercreditor Agreement''	The Intercreditor Agreement dated on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, the Issuer and the Security Agent.
''Numericable Group Revolving Credit Facilities''	The revolving facilities made available under the Numericable Group Revolving Credit Facilities Agreement.
''Numericable Group Revolving Credit Facilities Agreement''	The revolving facilities agreement, dated on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, the Issuer and certain of its subsidiaries as borrowers, the lenders from time to time party thereto and the Security Agent.
''Numericable Group Term Loan'' . . .	The term loan established under the term loan agreement, dated on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, 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.
''October 2012 Notes''	The existing 8¾% Senior Secured Notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on October 25, 2012 in an aggregate principal amount of €225.0 million.
''Offer''	Please see ''*The Transactions*''.
''Refinancing Transactions''	The refinancing of all of the Existing Indebtedness.
''Restricted Subsidiary''	Please see ''*Description of Notes—Certain Definitions—Restricted Subsidiary*''.
''Rights Issue''	The rights issue of ordinary shares with preferential subscription rights to existing shareholders by the Issuer in an aggregate amount of €4,732 million.
''Security Agent''	Deutsche Bank AG, London Branch, in its capacity as security agent for the Notes.

"SIG 50"	A French corporation incorporated as a *société anonyme*, registered under the identification number 421 345 026 Paris and its subsidiaries.
"SFR Group" and "SFR"	Société Française du Radiotéléphone S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 343 059 564 RCS Paris and, SIG 50 and their subsidiaries (excluding SPT, a holding company of Maróc Telecom) as the context may require.
"Transactions"	Please see "*The Transactions*".
"Trustee"	Deutsche Bank AG, London Branch, in its capacity as trustee for the respective Notes.
"U.S. dollars", "dollars", "U.S.$" or "$"	The lawful currency of the United States.
"U.S. Securities Act"	The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
"U.S. GAAP"	Generally accepted accounting principles in the United States.
"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.
"Vivendi" or "Vivendi S.A."	Vivendi S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 343 059 564 RCS Paris.
"Ypso France Senior Facility Agreement"	The Senior Facility Agreement, dated June 6, 2006, as amended, restated, supplemented or otherwise modified from time to time among, *inter alios*, Ypso Holding S.à r.l as parent, Ypso France S.A.S., Altice France EST S.A.S., Coditel Debt S.à r.l., Est Videocommunication S.A.S., Numericable S.A.S. and NC Numericable S.A.S., as original borrowers and original guarantors; BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch and Morgan Stanley Bank International Limited, as mandated lead arrangers, BNP Paribas, as agent and security agent, and the lenders named therein.
"Ypso France" or "Ypso France S.A.S."	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" or "Ypso Holding S.à r.l."	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, with a share capital of €1.987.756.175 and registered with the Luxembourg Register of Commerce and Companies under number B 110.644.

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. 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				
2010	1.3211	1.3916	1.2257	1.3366
2011	1.3998	1.4826	1.2960	1.2960
2012	1.2911	1.3357	1.2306	1.3197
2013	1.3300	1.3789	1.2819	1.3789
Month				
September 2013	1.3354	1.3531	1.3127	1.3531
October 2013	1.3639	1.3804	1.3498	1.3599
November 2013	1.3497	1.3367	1.3605	1.3591
December 2013	1.3706	1.3803	1.3551	1.3789
January 2014	1.3620	1.3789	1.3505	1.3505
February 2014	1.3662	1.3802	1.3505	1.3802
March 2014	1.3830	1.3721	1.3732	1.3772
April 2014 (through April 11, 2014)	1.3791	1.3897	1.3705	1.3897

(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. The summary does not contain all of the information that you should consider before investing in the Notes. You should read the entire offering memorandum carefully, including the financial statements and notes to those financial statements elsewhere in this offering memorandum. You should read ''Risk Factors'' for more information about important factors that you should consider before buying the Notes and ''Forward Looking Statements'' In this section, references to ''Numericable Group'' are to Numericable Group S.A. and its subsidiaries as of the date of this offering memorandum (without giving effect to the Transactions) and references to ''Combined Group'' are to Numericable Group S.A. and its subsidiaries after giving effect to the Transactions, including SFR, SIG 50 and their subsidiaries.

The Group

Numericable Group is the sole major cable operator in France and is active primarily in the pay television, Internet and fixed telephony segments serving the B2C, B2B and Wholesale markets. As of December 31, 2013, the Numericable Group had 1.7 million individual customers. The Numericable Group generated combined revenues of €1,302 million and Adjusted EBITDA of €621 million for the fiscal year ended December 31, 2012 and consolidated revenues of €1,314 million and Adjusted EBITDA of €616 million for the fiscal year ended December 31, 2013. On April 5, 2014, the Numericable Group submitted an offer to acquire SFR from Vivendi S.A. (which was selected by Vivendi's Supervisory Board and is subject to works council procedures and to certain conditions precedent, including antitrust approval) for a total consideration of €13,500 million in cash and a 20% ownership interest in the Combined Group, after giving effect to the Transactions. See—''*The Transactions*''.

SFR is the second largest telecommunications operator in France and is active in the broadband, fixed and mobile telephony segments, serving the B2C, B2B and Wholesale markets. As of December 31, 2013, SFR had approximately 5.2 million broadband customers and approximately 21.4 million total mobile phone customers representing 28% of the total French mobile market. SFR generated combined revenues of €11,288 million and EBITDA of €3,299 million (without an add back for CVAE, a French business value-added levy) for the fiscal year ended December 31, 2012 and combined revenues of €10,199 million and EBITDA of €2,766 million (without an add back for CVAE) for the fiscal year ended December 31, 2013. SFR's B2C mobile business and B2C fixed line business contributed €4,741 million and €2,132 million to revenues, respectively, in the year ended December 31, 2013.

The acquisition of SFR by the Numericable Group will result in the combination of the sole major cable operator in France with a leading integrated fixed and mobile network operator in France. We believe the Combined Group will benefit from network, operating and other synergies which will allow the Combined Group to reallocate capital expenditures to accelerate investments in fiber roll-out and thus foster products and services innovation to better address increasing customer demand for higher broadband speeds and ''next generation'' services. This combination will create the leading alternative telecommunications operator in France in all key segments of the French telecommunications market: B2C Fixed, B2C Mobile, B2B services, and Wholesale services. The Combined Group will also become the largest alternative telecommunications company to an incumbent in Europe by revenues, with combined pro forma revenues of €11,472 million for the year ended December 31, 2013; generating Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) of €3,809 million in the year ended December 31, 2013.

B2C Fixed. The Combined Group's B2C services will combine Numericable Group's cable and fiber footprint covering 9.9 million households, out of which 8.5 million are triple-play enabled and 5.2 million are fiber enabled, with SFR's unbundled fixed network which has the ability to service 23 million households and SFR's fiber network covering 1.5 million households (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). The Combined Group will be a leading triple-play and mobile operator for residential customers and will operate what we believe will be the leading fiber network in France, capable of delivering download speeds of up to 200 Mbps and allowing for the distribution of premium TV content (e.g. HDTV, 3D-TV) and services, generating higher value for its triple play offerings. Through Numericable Group's 1.0 million digital multi-play subscribers, SFR's 0.2 million FTTH subscribers and Numericable Group's 0.4 million white label subscribers (through an agreement with Bouygues Telecom), the Combined Group will be the market leader in the fixed very high speed broadband market (which is defined by ARCEP as broadband with above 30 Mbps speed capability), representing 60% of the total fixed very high speed connections in France as of

December 31, 2013 (78% including white lable subscribers) (Source: ARCEP). We believe the extensive, high quality, fiber based network will provide the Combined Group with the scale to offer triple-play services and very high speed services at competitive prices. Based on total broadband homes of 24.9 million as of December 31, 2013 (Source: ARCEP), SFR and the Numericable Group had a market share of the French broadband market of approximately 21% and 4% respectively, while Numericable's penetration of homes passed was 17%. We believe the Combined Group will be well-positioned to migrate a portion of SFR's DSL customers and to attract new customers to the Numericable Group's high quality fiber services within its footprint and to reallocate capital expenditures planned by SFR to accelerate fiber roll-out. Furthermore, we expect the Combined Group to continue to offer bundled packages, including pay television, broadband and fixed-line telephony products currently offered by the Numericable Group, and will be able to provide competitive convergent packages by adding SFR's mobile services.

B2C Mobile. The Combined Group will be the second largest mobile operator in France by number of subscribers, offering B2C mobile telephony and/or data services to SFR's 14.6 million B2C mobile customers as of December 31, 2013. We believe that SFR's strong market position in the mobile segment will allow the Combined Group to be a leading convergent operator in France, with an attractive quadruple play offering based on innovation and leveraging best-in-class fixed and mobile networks to address the increasing demand for speed and bandwidth. We expect that the Combined Group will also be able to cross sell Numericable's best-in-class fixed products to SFR's subscribers. We also believe that the SFR brand, present in France for over 25 years, is well known for network reliability and high quality customer care. SFR is adapting to the changing French telecoms landscape, which has been marked by the arrival of a fourth player in 2012, by implementing a simplified business model and customer offering. As of December 31, 2013, SFR's network covered over 40% of the French population with 4G and over 99% with 3G. SFR generated B2C mobile revenues of €4,741 million for the year ended December 31, 2013.

B2B Services. In the B2B segment, the combination of the Completel and SFR Business Team brands will create the largest alternative operator to the incumbent in France. The Combined Group will benefit from strong customer relationships with blue chip clients and public sector entities, and will have capacity to address the increasing demand from mid-sized companies for more sophisticated voice and data services. The Combined Group will offer data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, mobile telephony and voice services, including voice, VoIP and Centrex. The Combined Group will benefit from an extensive combined fiber and DSL network in France, with a market share of approximately 20% in the B2B segment as of December 31, 2013 according to our estimates.

Wholesale Services. In the Wholesale segment, the Combined Group will be the leading alternative national wholesale player, offering fixed and mobile voice and data wholesale carrier services, fiber network infrastructure-based wholesale services and triple-play DSL white label packages. The Combined Group will offer a wide product portfolio to a broad base of national and international operators. The Combined Group will serve as the main competitive alternative to the incumbent, addressing the entire spectrum of the wholesale market in France, providing services to local, national and virtual operators, as well as international operators operating in France.

Industrial Logic

We believe that the combination of the Combined Group's two highly complementary premium networks will create the broadest and most advanced integrated convergent network among alternative players in Europe. The complementary nature of the two networks is evidenced by:

- *A comprehensive fixed backbone.* The Combined Group will combine SFR's national long distance fiber infrastructure, including approximately 50,000 kilometers of fiber lines and more than 160 MANs, with Numericable Group's 80 MANs, creating a dense and comprehensive fiber backbone in France.
- *The leading local access fiber network in France.* As of December 31, 2013 each of SFR and the Numericable Group served 1.5 million and 5.2 million households with FTTH or FTTB technology respectively (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap), reinforcing the Combined Group's focus on very high speed access products and services. We believe that the Numericable Group has the most advanced fiber network for

residential customers in France, with approximately 5.2 million households currently serviced by fiber. This will be combined with SFR's current 1.5 million homes passed by fiber and 6,200 ADSL broadband customer access nodes, strengthening the reach of the Combined Group's fiber network and providing the opportunity to migrate DSL customers to the combined fiber network. The Combined Group will target to reach 12 million households serviced by fiber by 2017.

- *A state-of-the-art mobile network.* SFR's national mobile telephony network comprised of close to 18,500 sites at the end of 2013, covering more than 99% of the French population with 3G services and more than 40% of the French population and 1,200 cities with 4G services. At the end of 2013, SFR operated 1,034 4G 800 MHz antennas which offer enhanced indoor coverage and superior signal quality. It also operated 790 4G antennas in 2.6 GHz frequency. 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.

We believe that synergies realized as a result of the combination of the Combined Group's network assets will be an important contributor to the Combined Group's future revenue growth and profitability.

Competitive Strengths

The Combined 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 revenues of approximately €48 billion in 2013 (Source: Screen Digest). Despite strong volume growth, 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 Combined Group will have leading positions across all main market segments of the French telecommunications market thereby acting as the main competitor to the incumbent in these segments. With pro forma revenues of €11,472 million for the year ended December 31, 2013, we believe the Combined Group will also be the largest alternative telecommunications operator in Europe.

The Combined Group will operate in the B2C, B2B and Wholesale market segments and will be able to provide comprehensive customer offerings, including fixed, mobile and premium content products. While the Combined Group will focus on the segments that it believes have the most compelling growth prospects, we believe that a multi-market presence will enable the Combined Group to take advantage of opportunities across market segments and to leverage its combined networks and scale.

B2C Fixed. France is one of the largest fixed broadband Internet access markets in Europe, with approximately 24.9 million fixed broadband subscriptions and a penetration rate of 87% of French homes as of December 31, 2013 (Source: ARCEP). The fixed broadband market has experienced strong growth in recent years due to increasing penetration of households and relatively stable ARPUs driving a growth of 3.7% in value in 2013 (Source: IDC). The Combined Group will be the second largest operator in the fixed broadband market, combining SFR's 5.2 million fixed broadband customers as of December 2013 and Numericable's fixed broadband customer base of 1.0 million customers as of December 2013, together representing 25% of the total fixed broadband market in France (Source: ARCEP). France is relatively underpenetrated in the fast growing very high speed broadband segment, with only 10% of total broadband connections being very high speed broadband in the year ended December 31, 2013; this compares to an average of 24% in Western Europe and to 58% in Belgium and 59% in the Netherlands, two highly cable-penetrated countries (Source: IDC). IDC forecasts that the penetration of the very high speed market will grow at a compound annual growth rate of 34% between 2013 and 2017 in France, reaching 28% of total broadband connections by 2017. The Combined Group will be a market leader in the very-high-speed broadband segment with 1.6 million very high speed broadband subscribers (including White Label) representing 78% of total very high speed fixed broadband lines in France as of December 31, 2013 (Source: ARCEP). The Combined Group intends to leverage its high quality fixed network and SFR's brand image and distribution capacities to capture growing demand for speed and bandwidth, by offering multiple-play offerings at competitive prices in the French B2C fixed network market.

B2C Mobile. Through its SFR brand, the Combined Group will be the second largest mobile operator in France with SFR's 14.6 million B2C mobile customers as of December 31, 2013. The French B2C mobile market has been recently disrupted by the entry of a fourth mobile operator in January 2012, which has increased the overall level of competition in the market and placed significant pressure on ARPUs. After two years of strong price decrease following the entry of a fourth mobile operator in January 2012, we expect the price pressure to ease as France now has one of the lowest mobile postpaid prices in Europe and prices have remained relatively stable in recent quarters. The French B2C mobile market is divided between premium offers targeting customers seeking access to subsidized handsets, physical distribution, customer care and value added services and content and no frills offers targeting more cost conscious, SIM-only mainly self-care customers. A decreasing portion of the French mobile market is also represented by prepaid customers. SFR caters to all these segments with its ''Formules Carrées'' offerings targeting the premium post-paid mobile telephony market and its ''RED'' offerings targeting the no-frill post-paid mobile telephony market. In addition, SFR offers pre-paid packages at attractive prices under the ''SFR La Carte'' brand. As of December 31, 2013, 78% of SFR's B2C mobile customers were postpaid customers. We believe the combination of the very high speed fixed broadband network and the state-of-the-art 3G+/4G network will allow the Combined Group to offer attractive quadruple play converged bundled products, addressing the rapidly growing demand for speed and bandwidth by multi-screen households indoors as well as outdoors.

Pay television. The French television market is one of the largest in Europe, with a pay television penetration rate of approximately 77% as of December 31, 2013 (Source: ScreenDigest). Numericable Group is one of two providers of premium pay television services in France, and we believe provides its customers with premium content, a large choice of HD channels, up to 57 catch-up television channels, the broadest VOD catalog in the market, integrated OTT video services and innovative social media applications. We believe the high quality pay television content offering of the Combined Group will be an important differentiator in its offering of converged, bundled products.

B2B. 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. The data service needs of medium-sized businesses (the ''midmarket'') in particular have changed, becoming more bandwidth-intensive and complex. Customers' needs for high broadband speeds favor players with strong network coverage, such as the Combined Group, with its dense and capillary network combining the Numericable Group's 80 MANs with SFR's 160 MANs and its direct fiber connection to customers' main sites, providing symmetrical high speeds and reliable service. In line with the evolving needs of the market, the Numericable Group has also developed state-of-the art data solutions, including ''infrastructure as a service'' and IP VPN. We estimate that the Combined Group will have a market share of approximately 20% in the B2B segment and will become the only sizeable competitor to the incumbent operator that currently enjoys dominant market share. We expect to continue leveraging the Combined Group's leading brands sales force to increase its market share in this market segment and address adjacent market segments such a cloud services and M2M.

Wholesale. In the Wholesale segment, the Combined Group will be well-positioned to leverage its unique network advantage to provide solutions to the short-term needs of operators at attractive prices while leveraging its cost structure to earn attractive margins. This includes sales of circuits and optical fiber connections to international operators or local operators with sub-scale networks in France, renting IRUs (indefeasible rights of use) and bandwidth capacity on its network, and selling point-to-point connections, such as backhauling radio sites for 3G and 4G deployment to other national operators. The Combined Group expects growth from these sectors due to increasing worldwide data traffic and migration from legacy technologies to Ethernet and fiber technologies, as well as the need for higher bandwidth and the building of more antennas in connection with the roll-out of 4G coverage by operators. The Combined Group will strengthen SFR's strong number two market position in both mobile and fixed wholesale segments, with Numericable's leading fiber wholesale capabilities. The Combined Group has relationships with landmark French MVNOs (e.g., Virgin Mobile, La Poste Mobile) and FVNOs (e.g., Bouygues Telecom) and leading international players. It also intends to continue to promote its reactive and adapted wholesale offers in order to fully exploit its network infrastructure and maximize return on network assets.

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

We believe the Numericable Group benefits from a fundamental fixed network advantage in the French market. Based on the current infrastructure of operators in the telecommunication industry, we believe the Combined Group's network will be the only alternative core end-to-end network with extensive local loop infrastructure within Numericable's footprint in France, and will be complemented by SFR's DSL presence and its leading long-distance fiber network. This highly advanced fiber-based network provides high download speeds and includes a powerful backbone. The Combined Group will own a modern cable network and benefit from a first-mover advantage with respect to fiber in France. In the B2C segment, the Numericable Group's FTTB/EuroDocsis 3.0-enabled network provides customers with a current download speed of up to 200 Mbps, passing approximately 5.2 million homes as of December 31, 2013, representing approximately 53% of Numericable's total homes passed, while SFR's fiber network passed 1.5 million homes. The number of homes passed by the FTTH roll-out of Orange, Bouygues and Free has remained much lower (with Orange reporting 2.6 million FTTH connectable homes as of December 31, 2013) and the Combined Group will aim to increase its technological advantage by passing more than 12 million homes with fiber by 2017. We believe that the combination of the Numericable Group and SFR will allow the Combined Group to significantly increase the penetration of very high-speed fiber services within its footprint, in particular through the targeted migration of SFR's DSL customers to the Numericable Group's cable network.

Through SFR's mobile network, we believe the Combined Group will have one of the broadest and most advanced mobile network among alternative players in France. At the end of 2013, SFR's network comprised more than 16,500 3G active antennas with 3G coverage of over 99% of the French population as of December 2013, the highest 3G coverage in France. At the end of 2012, SFR was the first French operator to make 4G very high speed mobile internet available to retail and business customers. As of December 2013, SFR had a 4G coverage in France of over 40% of the French population, and operated 1,034 4G antennas on its 800 MHz band offering, which has enhanced indoor coverage and quality. SFR is also replacing a large number of its antennas by single-RAN technology (2G/3G/4G) with fiber transmission. We believe this replacement will reduce maintenance costs and ensure a long-term quality infrastructure. We believe the combination of the Combined Group's extensive fixed network with deep fiber connectivity with SFR's high quality 4G mobile networks will position the Combined Group to address the rapidly increasing demand for mobile data, by providing high bandwidth fiber backhaul connections to connect the mobile RAN.

Our high level of prior investment and network ownership of the local loop, the MAN rings and the backbone provides the Combined Group with a cost advantage compared to its alternative operator competitors that must rely partially on the networks or technology of other operators to provide their services. Our high level of network ownership also gives us greater ability to control our costs, determine the most profitable incremental capital expenditures and generate higher margins. We believe we will be able to maintain this cost advantage so long as alternative competitors do not undertake the significant investment to build their own networks.

We are the leading multi-play provider of very high speed broadband services in our markets, with a winning value proposition to French customers, providing upsell opportunities in fixed and mobile

Building on our technologically advanced network and innovative offerings, we have developed leading positions in multiple-play offerings by selling differentiated pay television, very high speed broadband Internet, fixed line telephony and mobile telephony products as bundles which we offer to our customers at attractive prices. We believe the strength of the Combined Group's pay television, broadband and fixed telephony businesses and the enhanced ability to offer advanced mobile telephony services will provide the Combined Group with the opportunity to increase the penetration of its multiple-play and premium packages. In turn, we expect that by implementing such a bundling strategy and increasing triple-play and quadruple-play penetration, the Combined Group will be able to grow its cable/ FTTB-based services ARPU.

The Combined Group's leading quadruple play offers will also target reducing churn, with churn levels of quadruple play customers typically being significantly lower than that of the overall customer base.

Very high speed broadband. The Numericable Group's network will be complemented by SFR's fiber network and will enable the Combined Group to provide customers serviced by its cable network with very high speed broadband Internet, currently with speeds of up to 200 Mbps, the highest available on a large scale in the French market. The Numericable Group's network has been built and upgraded specifically to address the increasing speed and bandwidth requirements of our customers. The targeted migration of a part of SFR's 5.2 million fixed broadband customers onto the Numericable Group's network provides an opportunity to significantly grow penetration on the Numericable Group's network, to reduce cost for renting of the last mile, and create upselling opportunities.

Comprehensive premium pay television content. We believe that the Combined Group will be able to offer its customers significant advantages in terms of content. It has direct long-term relationships with the major content providers and television channel suppliers, and is currently the only broadband provider contractually able to offer premium content in a single-bill bundle (shared exclusivity with CanalSat). The Combined Group's offerings will include an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 shows and movies available by aggregating all VOD packages available in France in a crisp, user-friendly interface.

Advanced mobile services. Through SFR's mobile network, the Combined Group will be able to provide its customers with access to one of the most advanced 4G mobile offers in the market, offering significant speed increase and benefits in terms of latency. SFR has also revamped and simplified its customer offering: the 'SFR Carrées' offerings target customers 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 customers.

Fixed-line telephony. In addition, the Combined Group's multiple-play packages will continue to include fixed-line telephony services.

Strong SFR brand and retail distribution network serving as a foundation for future growth

We believe that SFR's strong brand and retail distribution network will enable the Combined Group to leverage its extensive fixed and mobile infrastructure and best-in-class product offering to drive growth.

Strong brand image. We believe that SFR's brand is recognized by its customers for network reliability and high-quality customer care.

Multi-channel distribution network. SFR also benefits from a strong distribution network including physical and digital channels. Its physical distribution channels include an extensive store network which included 770 stores as of December 2013. We believe SFR offers a compelling in-store customer experience by providing pre-purchase advice on devices and services, subscriptions and customer support (after-sales service, claims, etc.). SFR's online platform complements its physical stores through value-added services (eg. technical support, news) and through the online store which showcases SFR's full product offering and serves as the main distribution channel for the 'SFR RED' offers. SFR's multi-channel network is supported by its customer service and support teams, which offer a comprehensive range of services covering customers' needs such as claim management, technical support, loyalty programs and sales.

Free Cash Flow generation

On a pro forma basis, the Combined Group generated Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) of €3,809 million and incurred capital expenditures of €1,930 million in 2013. We will own approximately 100% of SFR following the Transactions and will be able to access the cash flows generated by SFR. We believe that the Combined Group's large and diversified customer base and monthly subscription structure provide it with a certain level of predictability as to future cash flows. We believe the Combined Group's capacity for cash generation is a direct result of the Numericable Group's and SFR's rigorous focus on cost optimization and organizational efficiency as well as a prudent capital expenditure policy.

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

Experienced management with proven integration track record. The Combined Group's management has extensive experience in the cable and telecommunications industry and in the French market in particular. Numericable Group was created as the successful combination of multiple cable assets in France which the Numericable Group's existing management and our controlling shareholder Altice have successfully consolidated 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. Eric Denoyer has been CEO of the Numericable Group since January 2011. Prior to this he was general manager of Completel's wholesale division. Thierry Lemaitre has been the Numericable Group's CFO since May 2010. Prior to joining the Numericable Group, he has acted as CFO of Wanadoo and as global head of financial control for France Télécom's fixed and mobile divisions.

Strong shareholder support. Our controlling shareholder 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 EBITDA growth, including in the case of fixed-mobile convergence situations. 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 telecom market into Numericable and Completel. Altice will own 59.7% of the Combined Group following the Transactions, thereby exercising control over the Combined Group.

Strategy

The Combined Group intends to leverage and continue to upgrade its superior network to address the growing needs for high bandwidth and fast and resilient network access across its markets. It plans to continue to offer innovative products and services to drive growth and value for its customers.

Leverage its state-of-the-art networks to provide the best user experience for French customers

The Combined Group will aim to leverage the combination of the state-of-the-art networks of Numericable Group and SFR, which are highly complementary. We believe this combination will create the most advanced end-to-end fiber-based fixed network in France capable of delivering an enhanced user experience to French customers while optimizing the Combined Group's cost structure. In addition, the Combined Group will aim to leverage SFR's mobile network to offer customers the most compelling quadruple play offers in the market, in particular, through SFR's state-of-the-art 4G network.

Realize network and operating synergies to enhance free cash flow generation and fund new fiber roll-out

The Combined Group will aim to leverage operational efficiencies and economies of scale created by the combination. We believe that the Transactions have a strong industrial logic through the combination of two complementary companies. We also expect that the combination will create opportunities to realize both cost and capital expenditure synergies in various areas including network, B2C, B2B, and operations.

Network synergies. Network synergies include: (i) elimination of unbundling fees paid to Orange for access to the local loop in areas where the Numericable Group has fixed network coverage, (ii) closure of Completel's B2B DSL network, which we expect will be replaced by SFR's nationwide DSL network, and (iii) optimization of SFR's base station connectivity and backhaul on the Numericable Group's network.

B2C synergies. B2C synergies include: (i) the overall simplification of the Combined Group's product offering, (ii) sales and distribution processes and (iii) the sale of the Numericable Group's premium pay television and other services to SFR's existing customer base.

B2B synergies. B2B synergies include: (i) improvements of the commercial and operational efficiency through strong economies of scale, (ii) redeployment of the B2B sales force in order to address new potential clients that are not currently covered by the Combined Group and (iii) targeted churn reduction.

Other operational synergies. The Combined Group expects to realize savings from the combination of the information systems, financial control and accounting, customer service, sales operations, marketing and branding costs and technical costs of the Numericable Group and SFR.

Management estimates that the total annual cost synergies impacting EBITDA which are expected to result in the medium term from the Transactions will be in excess of €350 million. However, 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.

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

Provide high speed broadband, high quality content and superior mobile services to existing and new B2C customers. By leveraging its network infrastructure, its access to premium content and SFR's large customer base and premium brand, the Combined Group will aim to offer existing and new B2C customers the best bundled triple and quadruple play packages in the French market. In particular, the Combined Group will be the only player in its coverage area capable of bundling the highest broadband speeds in the market and premium pay television content into single-bill packages. We believe the Combined Group's customers are increasingly demanding bundled products and expect the Combined Group to benefit from typically higher ARPU on a single customer basis and lower churn rate characteristic of quadruple play customers.

Leverage SFR's large customer base to cross-sell our very-high-speed broadband and pay television products. While the Combined Group's primary focus will be to convert a part of SFR's existing fixed customer base to bundled 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 customers in need of higher speeds and bandwidth. Following the Acquisition, we expect to increase the number of SFR's 5.2 million broadband customers, of which 0.2 million customers are secured through SFR's FTTH network, to whom we expect to be able to upsell multiple-play products supported by the migration of part of the SFR's DSL customer base to the Numericable Group's fiber network.

Adapted strategy and value proposition in mobile

To face recent changes in the mobile market, SFR has drastically simplified its business model and customer offering. The Combined Group intends to pursue this strategy in the mobile segment.

Revamp and simplify offer architecture. Following the arrival of a new mobile operator which provided very basic yet appealing mobile offers, SFR has drastically simplified its mobile offer architecture and tailored its new plans to customers' evolving needs. The number of plans offered has been cut in half in both B2C and B2B. In parallel, SFR has revisited and rationalized its store network to focus on the best locations decreasing the number of stores from 830 stores at the end of 2011 to 770 stores at the end of 2013.

Adapt brand positioning to cover all customer segments. The Combined Group intends to cover all segments of the French mobile market, with SFR's 'SFR Carrées' banner covering the premium segment of the postpaid market and its 'SFR RED' banner targeting the growing no frills market, which represented approximately 16% of SFR's B2C postpaid subscriber customer base as of December 31, 2013. In addition, the Combined Group intends to offer pre-paid packages at attractive prices.

Develop innovative services. SFR is also investing in opportunities to grow revenue in mobile, in particular through the development of additional innovative services (content, payments etc.).

Exploit new growth opportunities in the B2B and Wholesale markets

Shift to Next Generation Services. The Combined Group will aim to serve the B2B market's growing demand for next generation services, including IP VPN, hosting or cloud services, which require high bandwidth and offer higher margins. The Combined Group's fiber network will be both powerful and flexible, with its high capacity bandwidth ready to offer these next generation services but also fully adaptable to future services that will require even greater bandwidth capacity and reliability. The Combined Group will also benefit from a full range of services deployed to meet the evolving needs of B2B customers, including six data centers operated by SFR and three data centers operated by the Numericable Group. The Combined Group will focus in particular on providing ''infrastructure as a service'', which is intended to provide customers with the benefits of infrastructure without having to invest in it. The Combined 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 our B2B sales force efficiently. We expect the Combined Group to become a strong challenger to the incumbent in the B2B market with an approximately 20% combined market share in 2013 (according to our internal estimates). While SFR Business Team and Completel brands previously competed for the same key B2B accounts, and did not always have sufficient resources to compete against the incumbent on other accounts, we expect the Combined Group to be able to strategically redeploy its sales force to fully address all B2B market sub-segments. By doing so, the Combined Group intends to continue to increase its market share in this segment and address adjacent market segments such a cloud services and M2M.

Increase infrastructure advantage through acceleration of fiber roll-out

Accelerate fiber roll-out and increase penetration of Homes Passed. As of December 2013, the Numericable Group had the leading fiber network in France, passing 8.5 million triple-play enabled households, of which 5.2 million were fully upgraded to EuroDocsis 3.0 while SFR's fiber network passed 1.5 million homes (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). We believe that the Combined Group's fixed network will be a competitive advantage. Accordingly, upgrading it will be a key part of the Combined Group's strategy and we plan to accelerate our network upgrade to EuroDocsis 3.0 and to expand the Combined Group's fiber network footprint strategically. We expect the Combined Group to target increasing its fiber network to a total number of 12 million homes passed by 2017, thus increasing its competitive advantage. As of December 2013, the Numericable Group had a penetration rate (i.e., the penetration of homes passed on the Combined Group's network that subscribed to services offered by the Combined Group) of 17% which is relatively low compared to other cable operators in Europe (compared e.g. to Ziggo's and Telenet's penetration of homes passed of 66% and 72%, respectively). The Combined Group believes that it will be able to migrate part of SFR's fixed customer base and attract new customers onto the Combined Group's fiber network by leveraging SFR's brand, thus increasing its penetration of Homes Passed of the Combined Group.

Operating Data

	As of, or for the year ended, December 31,		
	2011	2012	2013
	(in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated)		
B2C Operating Data:			
Footprint[1]			
Numericable Group Homes Passed[2]	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Numericable Group Operating Data:			
Digital individual subscribers	1,238	1,228	1,264
White label end-users[3]	206	297	363
Total digital individual users	**1,444**	**1,525**	**1,628**
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
TV Individual RGUs[4]	1,216	1,163	1,140
Internet Individual RGUs[4]	950	985	1,054
Fixed Telephony Individual RGUs[4]	897	946	1,024
Mobile Telephony Individual RGUs[4]	47	113	186
Total individual RGUs[4]	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user[4]	2.27	2.41	2.53
Bulk subscribers[5]	1,837	1,829	1,753
Churn—individual subscribers	19.4%	18.6%	19.0%
Stand-alone digital television	16.4%	19.0%	18.9%
Analog television	20.1%	18.3%	19.2%
Triple-play	17.3%	17.2%	17.0%
ARPU per month—new digital individual subscribers (gross-adds) (€)[6]	**41.5**	**41.7**	**41.3**
ARPU per month—digital individual subscribers (customer base) (€)[6]	**40.4**	**40.7**	**41.5**
B2C SFR Operating Data:			
B2C Mobile customers[7]	16,578	15,057	14,555
B2C Mobile subscribers	11,961	11,194	11,381
Smartphone penetration rate[8]	42.1%	51.2%	64.1%
12-month rolling Mobile ARPU[9] (€ per month)	31.4	28.3	24.1
Number of Broadband Internet customers[10]	4,994	5,039	5,209
FTTH customers	97	126	197
Quadruple-play customers (''MultiPack'') (as % of customer base)	24%	35%	45%
12-month rolling Broadband Internet ARPU[9] (€ per month)	34.1	33.3	32.5

(1) Operating data related to the Numericable Group's and SFR's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed ''passed'' if it can be connected to the distribution system without further extension of the network. SFR Homes Passed is subject to unbundling by SFR of its IP voice, Internet or television services. SFR and Numericable Group Homes Passed cover in part the same network coverage area.

(3) Reflects fiber white label end-users (i.e., not including DSL white-label end users). In accordance with the financial communication policy of the Numericable Group, as well as the accounting segments of the Numericable Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).

(4) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Numericable Group's network represents one RGU. Thus, one subscriber who receives all of the Numericable Group's B2C services would be counted as four RGUs. RGUs represent only Numericable Group's brand direct subscribers (i.e., does not include white label or bulk subscribers).

(5) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

(6) Operating data related to Numericable Group's ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

(7) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP's definition. The customer base as at December 31, 2013 integrates a technical purge of 92 thousand inactive lines in 2013, which was related to a migration of invoice system (without impact on revenues). The customer base as at December 31, 2012 is the published base (before such technical purge).

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

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

(10) SFR's broadband Internet customer base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo 1P and 2P customers.

The Issuer

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Republic of France, having its registered office at Tour Ariane, 5 Place de la Pyramide, 92088 La Défense Cedex, France and registered with the Nanterre Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 794 661 470. 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.

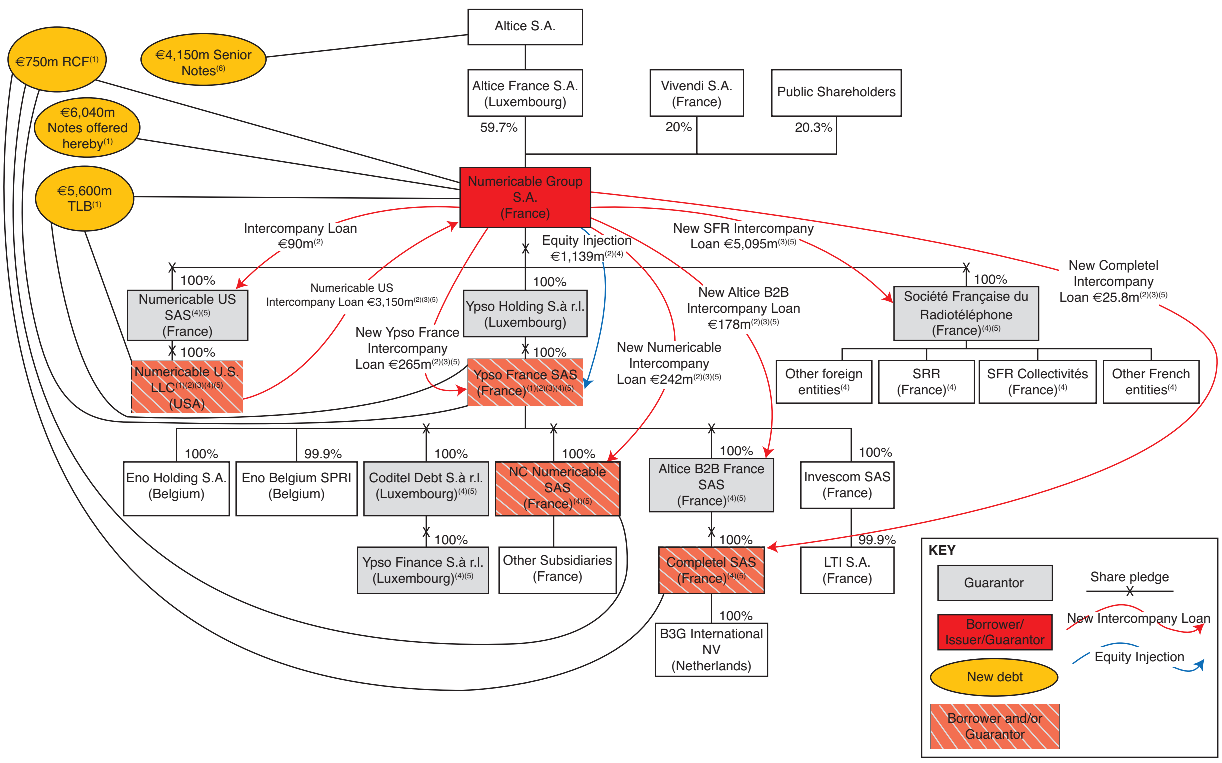
Principal Shareholders

As of the date of this offering memorandum, Altice France S.A., formerly named Altice Six S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 3 boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B135296 (''Altice France''), owns 40% of the shares in the Issuer (including shares of the Issuer subject to call options granted to Altice France by certain existing shareholders), 21.3% are owned by funds managed by Carlyle Group (''Carlyle''), 13.2% are owned by funds managed by Cinven Ltd. (''Cinven'') and 25.4% are owned by public shareholders. Pursuant to certain arrangements between Altice France and Cinven and Carlyle, Altice France currently is entitled to appoint a majority of the board of directors of the Issuer. Prior to completion of the Transactions, Altice France, or one of its wholly owned affiliates, will acquire all of the shares in the Issuer held by Cinven and Carlyle so that, following completion of the Transactions, it will own 59.7% of the Issuer's shares (based on the assumption that it will exercise the preferential subscription rights attached to shares currently owned by certain shareholders for which it currently holds a call option). Vivendi will own 20% of the Issuer's shares following completion of the Transactions. For details, see ''*Principal Shareholders*''.

Altice France is a wholly owned subsidiary of Altice S.A (''Altice''). Altice is a multinational cable and telecommunications company with presence in three regions: Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), Israel and the Overseas Territories (currently comprising the Dominican Republic, the French Caribbean and the Indian Ocean regions). Altice provides cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential and corporate customers. Altice completed an initial public offering of ordinary shares on February 6, 2014 following which its shares are listed on Euronext Amsterdam.

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 ''*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*'', ''*Description of Notes*''.



(1) The Issuer, Ypso France S.A.S. and Numericable U.S. LLC each being a direct or indirect wholly owned subsidiary of the Issuer, as borrowers, will enter into a €5,600 million (equivalent) term loan credit facility (the ''Numericable Group Term Loan''). The Issuer, NC Numericable S.A.S., Ypso France S.A.S. and Completel S.A.S., each as a borrower, will enter into a €750 million revolving credit facilities (the ''Numericable Group Revolving Credit Facilities'') and the Issuer will issue the Notes.

Pending satisfaction of the Escrow Release Conditions, the Initial Purchasers will deposit the gross proceeds from the offering of the Notes into segregated Escrow Accounts for the benefit of the holders of the applicable Notes. The Escrow Release Conditions will be deemed to have been satisfied upon the delivery of an officer's certificate (the ''Escrow Release Certificate'') by the Issuer to the Escrow Agent certifying, among other things, that the Acquisition will occur concurrently with or promptly after the release of the proceeds of the Notes from the Escrow Accounts.

(2) On the Numericable Refinancing Date:

(a) the Issuer will borrow €1,800 million under the Numericable Group Term Loan, Numericable U.S. LLC will borrow €36 million under the Numericable Group Term Loan and Ypso France S.A.S. will borrow €800 million under the Numericable Group Term Loan (collectively the ''First TLB Drawdown''). The proceeds of the First TLB Drawdown (other than the €800 million drawn by Ypso France S.A.S.) will be used by Numericable to make an intercompany loan to Ypso France S.A.S. in an amount equal to €265 million (the ''Ypso France Intercompany Loan'') and an equity injection into Ypso France S.A.S. in an amount equal to €1,139 million (the ''Ypso France Equity Injection''), the proceeds of which, together with the proceeds of the intercompany loan made by the Issuer to NC Numericable S.A.S. in an amount equal to €242 million (the ''Numericable Intercompany Loan''), will be used to make intercompany loans to the borrowers under the Ypso France Senior Facility Agreement and to pay fees, costs and expenses relating thereto. The proceeds of such intercompany loans will be used by the relevant borrowers to repay amounts owed by them under the Ypso France Senior Facility Agreement and to pay fees, costs and expenses relating thereto. The issuer of the February 2012 Notes and the October 2012 Notes will use the proceeds received by it pursuant to the repayment of amounts due under the Ypso France Senior Facility Agreement to redeem all outstanding February 2012 Notes and the October 2012 Notes. The proceeds of the First TLB Drawdown will also be used by the Issuer to make an intercompany loan to Numericable US S.A.S. in an amount equal to €90 million, and by Numericable U.S. LLC to make an intercompany loan to the Issuer in an amount equal to €186 million. The transactions described in this note (1) are herein referred to as to in the ''Refinancing Transactions'' and the date of such refinancing being the ''Numericable Refinancing Date.'' The new intercompany loans referred to in this clause (a) and clause (b) below are herein referred to as the ''First TLB Drawdown Intercompany Loans''; and

(b) the Issuer will also enter into arrangements to:

(i) make an intercompany loan to Completel S.A.S. in an amount equal to €25.8 million, the proceeds of which will be used to repay an existing intercompany loan owed to Ypso France S.A.S.; and

(ii) make an intercompany loan to Altice B2B France S.A.S. in an amount equal to €178 million, the proceeds of which will be used to repay an existing intercompany loan owed to Ypso France S.A.S..

(3) On the Completion Date:

(a) Numericable U.S. LLC will borrow €2,964 million under the Numericable Group Term Loan and will make an intercompany loan to the Issuer equal to €2,964 million (together with the First Numericable US Intercompany Loan, the ''Numericable US Intercompany Loans'') and the Issuer will use the proceeds thereof and of the offering of the Notes to:

(i) pay a fraction of the purchase price of the shareholder's loan held by Vivendi against SFR; and

(ii) make new intercompany loans (together with the SFR Intercompany Loan and the Numericable US Intercompany Loans, the ''Completion Date Intercompany Loans'') to Ypso France S.A.S., NC Numericable S.A.S., Completel S.A.S., Numericable US S.A.S. and Altice B2B France in the amounts set forth above, the proceeds of which will be used by the relevant borrowers to refinance in full the First TLB Drawdown Intercompany Loans;

(b) the Issuer will borrow the Acquisition Facility under the Numericable Group Term Loan and will use the proceeds thereof together with the proceeds of the Rights Issue and the amounts received by it upon the repayment of the First TLB Drawdown Intercompany Loans, to make a payment of to Vivendi of €8,500 million representing the cash purchase price for approximately 80.4% of the capital stock of SFR;

(c) the Issuer will borrow the remaining proceeds under the Numericable Group Term Loan to make a payment to Vivendi representing the remaining fraction of the purchase price of the shareholder's loan held by Vivendi against SFR; and

(d) the amount of the shareholders' loan held by Vivendi against SFR shall be determined as at the Completion Date and assigned by Vivendi to the Issuer on Completion for a price equal to its principal amount increased by interest accrued until the Completion Date.

(4) Prior to the Completion Date, the Notes will not be guaranteed. On the Numericable Refinancing Date, the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities will be guaranteed on a senior basis by each of the Issuer (in the case of the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities), Ypso Holding S.à r.l., Ypso France S.A.S., Coditel Debt S.à r.l., Ypso Finance S.à r.l., NC Numericable S.A.S., Altice B2B France S.A.S., Completel S.A.S., Numericable US S.A.S. and Numericable U.S. LLC (such guarantors (other than the Issuer or Ypso Holding S.à r.l. if it is merged, prior to the Completion Date, into the Issuer with the Issuer being the surviving entity), collectively, the ''Completion Date Guarantors''). On the Completion Date, the Notes will be guaranteed (the ''Completion Date Guarantees'') on a senior basis by the Completion Date Guarantors.

Within 90 days after the Completion Date, the Numericable Group Term Loan (other than the Acquisition Facility under the Numericable Group Term Loan), the Numericable Group Revolving Credit Facilities and the Notes will be guaranteed on a senior basis (the ''Post-Completion Date Guarantees'' and, together with the Completion Date Guarantees, the ''Guarantees'') by SFR (together with any other subsidiaries of SFR that may become Post-Completion Date Guarantors and the Completion Date Guarantors, the ''Post-Completion Date Guarantors'' and the Completion Date Guarantors and the Post-Completion Date Guarantors, the ''Guarantors'').

Following the accessions of SFR as a Post-Completion Date Guarantor, the Guarantors will represent 97.0% of the Issuer's pro forma consolidated revenues and 95.4% of the Issuer's pro forma consolidated EBITDA and 99.6% of the Issuer's pro forma consolidated total assets. The maximum liability of any Guarantor incorporated in France or in Luxembourg in respect of the Senior Secured Debt 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*''. The aggregate value of the Guarantee of any French Guarantor in respect of the Numericable Group Term Loan (other than the Acquisition Facility), the Numericable Group Revolving Credit Facilities and the Notes will be limited to the amount of the proceeds of the offering of the Notes and the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities received directly or indirectly by such Guarantor and outstanding at the time such Guarantee is called, provided that (in the case of the Guarantee provided by SFR) it will also include the amount of the proceeds of the offering of the Notes and the Numericable Group Term Loan used by the Issuer to purchase the intercompany loan granted by Vivendi SA to SFR on the Completion Date, and allow the Issuer to continue to extend the same to SFR following the Completion Date, which remains outstanding at the time such Guarantee is called.

(5) The Notes will be senior obligations of the Issuer. Prior to the Completion Date, the applicable Notes will be secured by a first-ranking pledge over the assets in the applicable Escrow Accounts (as defined herein) and the Issuer's rights under the Escrow Agreements (as defined herein).

On the Completion Date, the Notes will benefit from: (a) senior pledges over all of the capital stock of the Completion Date Guarantors; and (b) senior pledges over the Completion Date Intercompany Loans.

In addition, on the Completion Date, the Notes will benefit from a security package which will include (a) senior pledges over the business (*fonds de commerce*) of NC Numericable S.A.S.; (b) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Completion Date Guarantors and (c) certain bank accounts of the Issuer. In addition, within 90 days after the Completion Date, the Notes will benefit from: (a) senior pledges over all of the capital stock of SFR and certain of its subsidiaries; (b) a senior pledge over certain bank accounts of SFR; (c) a senior pledge over the business (*fonds de commerce*) (including intellectual property) of SFR; and (d) senior pledges over receivables owed to SFR by certain of its subsidiaries (collectively, the ''Notes Collateral'').

Under the terms of the Numericable Group Intercreditor Agreement, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from the Notes Collateral on a *pari passu* basis with the lenders under the Numericable Group Term Loan, the lenders under the Numericable Group Revolving Credit Facilities and counterparties to certain hedging agreements, subject to the terms of the Numericable Group Intercreditor Agreement. In addition, the security interests in the Notes Collateral may be released under certain circumstances. See ''*Summary—The Offering*'', ''*Corporate and Financing Structure*'', ''*Risk Factors—Risks Relating to the Notes and the Structure*'' and ''*Description of Other Indebtedness—the Numericable Group Intercreditor Agreement*''.

(6) Prior to Completion Date, (i) Altice France will purchase approximately 14% of the shares of common stock of the Issuer from certain funds affiliated with Carlyle and Cinven, for which payment will be made in cash at the earliest of (a) January 31, 2015 and (b) 6 months after Completion Date and (ii) funds affiliated with Carlyle and Cinven will contribute all of their remaining shares in the Issuer (representing approximately 20.6% of the Issuer's shares of common stock), to Altice S.A., in exchange for shares of common stock of Altice S.A. In addition, prior to the Completion Date, the Issuer expects to raise €4,732 million pursuant to the Rights Issue. Altice France S.A. has agreed to subscribe to its pro rata share of the ordinary shares offered in the Rights Issue, including in respect of the shares it will acquire from the Carlyle Group and the Cinven Group. Altice France S.A. is expected to fund the acquisition of ordinary shares of the Issuer in the Rights Issue with the proceeds of up to €4,150 million of senior notes and the proceeds of an equity financing. Furthermore, in connection with the Acquisition, Vivendi will contribute to the Issuer its remaining ordinary shares in SFR owned by Vivendi in exchange for ordinary shares of the Issuer.

After giving effect to the Transactions, Altice S.A. will own indirectly approximately 59.7% of the outstanding ordinary shares of the Issuer (based on the assumption that it will exercise the preferential subscription rights attached to shares currently owned by certain minority shareholders for which it currently holds a call option) and Vivendi will own approximately 20% of the outstanding ordinary shares of the Issuer. Upon completion of the Transactions, the Issuer will own all of the outstanding ordinary shares of SFR and SIG 50 (other than 10 ordinary shares of SFR not currently held by Vivendi).

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 a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer

Issuer . . . . Numericable Group S.A.

Notes Offered

Notes . . . . €6,040 million (equivalent) aggregate principal amount of Notes consisting of:

€500 million aggregate principal amount of % Senior Secured Notes due 2019 (the ''Euro 2019 Notes'');

$920 million aggregate principal amount of % Senior Secured Notes due 2019 (the ''Dollar 2019 Notes'', and together with the Euro 2019 Notes, the ''2019 Notes'');

€1,000 million aggregate principal amount of % Senior Secured Notes due 2022 (the ''Euro 2022 Notes'');

$2,000 million aggregate principal amount of % Senior Secured Notes due 2022 (the ''Dollar 2022 Notes'', and together with the Euro 2022 Notes, the ''2022 Notes'');

€1,000 million aggregate principal amount of % Senior Secured Notes due 2024 (the ''Euro 2024 Notes'', and together with the Euro 2019 Notes and the Euro 2022 Notes, the ''Euro Senior Secured Notes''); and

$2,000 million aggregate principal amount of % Senior Secured Notes due 2024 (the ''Dollar 2024 Notes'', and together with the Dollar 2019 Notes and the Dollar 2022 Notes, the ''Dollar Senior Secured Notes,'' and the Dollar Senior Secured Notes together with the Euro Senior Secured Notes, the ''Notes'').

Maturity Date

2019 Notes . . . . , 2019.

2022 Notes . . . . , 2022.

2024 Notes . . . . , 2024.

Interest Rate

Euro 2019 Notes . . . . %

Dollar 2019 Notes . . . . %

Euro 2022 Notes . . . . %

Dollar 2022 Notes . . . . %

Euro 2024 Notes . . . . %

Dollar 2024 Notes . . . . %

Interest Payment Dates . . . . Interest is payable on the Notes semi-annually in arrears on each July 15 and January 15, commencing on July 15, 2014. Interest on the Notes will accrue from the Issue Date.

Denominations . . . . The Dollar Senior Secured Notes will be in denominations of $200,000 and any integral multiples of $1,000 above $200,000. Dollar Senior Secured Notes in denominations of less than

$200,000 will not be available. The Euro Senior Secured Notes will be in denominations of €100,000 and any integral multiples of €1,000 in excess of €100,000. Euro Senior Secured Notes in denominations of less than €100,000 will not be available.

Issue Price

Euro 2019 Notes	% plus accrued interest, if any, from the Issue Date.
Dollar 2019 Notes	% plus accrued interest, if any, from the Issue Date.
Euro 2022 Notes	% plus accrued interest, if any, from the Issue Date.
Dollar 2022 Notes	% plus accrued interest, if any, from the Issue Date.
Euro 2024 Notes	% plus accrued interest, if any, from the Issue Date.
Dollar 2024 Notes	% plus accrued interest, if any, from the Issue Date.

Ranking of the Notes

Notes . . . . The Notes:

- will be general obligations of the Issuer;
- will be secured as set forth under ''—*Security*'';
- will be *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 Numericable Group Term Loan, the Numericable Group Revolving Credit Facilities and certain hedging obligations;
- will rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; and
- 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 Notes, to the extent of the value of the property and assets securing such indebtedness.

Guarantees . . . . The Notes will not be guaranteed on the Issue Date. Following the release of the proceeds of the offering of the Notes from the applicable escrow accounts, the Notes will be guaranteed on a senior secured basis (the ''Completion Date Guarantees'') by Ypso France S.A.S., Ypso Finance S.à r.l., NC Numericable S.A.S., Coditel Debt S.à r.l., Altice B2B France S.A.S, Completel S.A.S, Numericable US S.A.S., Ypso Holding S.à r.l. (unless prior to the Completion Date, it has been merged into the Issuer with the Issuer being the surviving entity) and Numericable U.S. LLC (collectively, the ''Completion Date Guarantors''), and within 90 days following the release of the escrow proceeds, the Notes will be guaranteed on a senior secured basis (the ''Post-Completion Date Guarantees'' and, together with the Completion Date Guarantees, the ''Guarantees'') by SFR (together with any other subsidiaries of SFR that may guarantee the Notes, the ''Post-Completion Date Guarantors'' and, together with the Completion Date Guarantors, the ''Guarantors''). The date on which the Post-Completion Date Guarantors guarantee the Notes is the ''Post-Completion Guarantee Date''.

As a general matter, the aggregate value of the Guarantee of any French Guarantor in respect of the Numericable Group

	Term Loan (other than the Acquisition Facility thereunder), the Numericable Group Revolving Credit Facilities and the Notes will be limited to the amount of the proceeds of the offering of the Notes, the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities received, directly or indirectly by such Guarantor or any of its Subsidiaries, and outstanding at the time its Guarantee is called, provided that (in the case of the Guarantee provided by SFR) it will also include the amount of the proceeds of the offering of the Notes and the Numericable Group Term Loan used by the Issuer to purchase the intercompany loan granted by Vivendi SA to SFR on the Completion Date, and allow the Issuer to continue to extend the same to SFR following the Completion Date, which remains outstanding at the time such Guarantee is called.
Ranking of the Guarantees	The Guarantee of each Guarantor: • will be a general obligation of such Guarantor; • will rank *pari passu* in right of payment with any existing and future indebtedness of the relevant Guarantor that is not subordinated in right of payment to such Guarantor's Guarantee; • will rank senior in right of payment to all existing and future indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to such Guarantor's Guarantee; • will be effectively subordinated to any existing and future indebtedness of the relevant 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 effectively subordinated to the indebtedness and other obligations of any member of the Group 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 Numericable Group Intercreditor Agreement. See "*Description of Other Indebtedness—Numericable Group Intercreditor Agreement*".
Security	
Notes	On the Issue Date, the Notes will be secured by a security interest over the rights of the Issuer under the Escrow Agreements and the proceeds of the applicable Notes in the applicable Escrow Account. On the Completion Date, the Notes will be secured by (collectively, the "Completion Date Notes Collateral"): • senior pledges over all of the capital stock of the Completion Date Guarantors; • senior pledges over the Completion Date Intercompany Loans;

- senior pledges over the business (*fonds de commerce*) of NC Numericable S.A.S.;
- senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Completion Date Guarantors; and
- senior pledges over certain bank accounts of the Issuer.

Within 90 days after the Completion Date, the Notes will be secured by (collectively, the ''Post-Completion Date Notes Collateral'' and together with the Completion Date Notes Collateral, the ''Notes Collateral''):

- a senior pledge over certain bank accounts of SFR;
- a senior pledge over the business (*fonds de commerce*) (including intellectual property) of SFR;
- senior pledges over all of the capital stock of SFR and certain of its subsidiaries; and
- senior pledges over receivables owed to SFR by certain of its subsidiaries.

The Notes Collateral securing the Notes and the Guarantees also shall secure indebtedness under the Numericable Group Revolving Credit Facilities, the Numericable Group Term Loan (other than, for certain Notes Collateral and Guarantees, the Acquisition Facility under the Numericable Group Term Loan) and certain hedging obligations. 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 Numericable Group Term Loan, the lenders under the Numericable Group Revolving Credit Facilities and counterparties to 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 Numericable Group Intercreditor Agreement, the lenders under the Numericable Group Revolving Credit Facilities, Numericable Group Term Loan 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 Numericable Group Intercreditor Agreement.

Escrow of Proceeds; Special Mandatory Redemption . . . . Pending satisfaction of the conditions to the release of the escrow proceeds as set forth in ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'', the Initial Purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of each series of Notes into segregated escrow accounts (the ''Escrow Accounts'') pursuant to the terms of escrow deeds (the ''Escrow Agreements''). The Escrow Accounts will be controlled by the Escrow Agent and pledged on a first ranking basis in favor of the Trustee on behalf of the holders of the applicable Notes.

	If the conditions to the release of the escrow proceeds as set forth in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" are not satisfied prior to April 30, 2015 or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date. See "*The Transactions—Financing of the Acquisition and Refinancing Transactions*" and "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".
Optional Redemption	At any time prior to , 2016, the Issuer may redeem some or all of the 2019 Notes at a price equal to 100% of the principal amount plus a "make whole" premium and up to 40% of the 2019 Notes at the redemption price set forth herein with the net proceeds from one or more specified equity offerings. At any time on or after , 2016, the Issuer may redeem some or all of the 2019 Notes at the redemption prices set forth herein. At any time prior to , 2017, the Issuer may redeem some or all of the 2022 Notes at a price equal to 100% of the principal amount plus a "make whole" premium and up to 40% of the 2022 Notes at the redemption price set forth herein with the net proceeds from one or more specified equity offerings. At any time on or after , 2017, the Issuer may redeem some or all of the 2022 Notes at the redemption prices set forth herein. At any time prior to , 2017, the Issuer may redeem up to 40% of the 2024 Notes at the redemption price set forth herein with the net proceeds from one or more specified equity offerings and at any time prior to , 2019, the Issuer may redeem some or all of the 2024 Notes at a price equal to 100% of the principal amount plus a "make whole" premium. At any time on or after , 2019, the Issuer may redeem some or all of the 2024 Notes at the redemption prices set forth herein. In each case, see "*Description of Notes—Optional Redemption*."
Change of Control	Following a change of control triggering event as defined in each 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 the date of the purchase. Subject to certain conditions, a change of control as defined in each Indenture, and therefore a change of control triggering event, shall be deemed not to have occurred as a result of the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of the Issuer and its subsidiaries or SFR and its Subsidiaries (including the capital stock of SFR or any subsidiary of the Issuer or SFR) that is required pursuant to competition laws or is taken to avoid or eliminate any impediment under competition laws (including, without limitation, in response to any actions initiated by a administrative, regulatory or other governmental authority or private party under competition laws). 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 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 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 their respective Indenture. Each Indenture will, among other things, limit the ability of the Issuer and the 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.
Transfer Restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in the United States in compliance with Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act. Please see "*Notice to Investors*" and "*Plan of Distribution*".
Use of Proceeds	See "*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	Some or all of 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 AG, London Branch.
Principal Paying Agent for the Notes	Deutsche Bank AG, London Branch.
U.S. Paying Agent, U.S. Transfer Agent and U.S. Registrar	Deutsche Bank Trust Company Americas.
Euro Registrar and Euro Transfer Agent	Deutsche Bank Luxembourg S.A.
Governing Law	The Notes, each Indenture and the Numericable Group Term Loan will be governed by the laws of New York. The Numericable Group Revolving Credit Facilities Agreement and the Numericable Group Intercreditor Agreement will be governed by the laws of England and Wales.
Governing Law of the Notes Collateral	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 following tables set forth summary financial information and other data. The Statement of Income Data, Statement of Financial Position Data and Statement of Cash Flow Data set forth therein is derived from (i) Numericable Group's audited consolidated financial statements as of and for the year ended December 31, 2013, prepared in accordance with IFRS as adopted in the European Union, which have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG S.A., and Numericable Group's audited combined financial statements as of and for the years ended December 31, 2011 and 2012, prepared in accordance with IFRS as adopted in the European Union, which have been audited by Deloitte & Associés; (ii) SFR's audited combined financial statements as of and for the years ended December 31, 2011, 2012 and 2013, prepared in accordance with IFRS as adopted in the European Union, which have been audited by KPMG Audit and Ernst & Young, and (iii) the unaudited pro forma condensed consolidated statement of income of the Issuer for the year ended December 31, 2013 (as if the Transactions were completed on January 1, 2013) and the unaudited pro forma condensed consolidated balance sheet of the Issuer as of December 31, 2013 (as if the Transactions were completed on December 31, 2013) (collectively, the ''Pro Forma Financial Information'') and should be read together with such financial statements and financial information (including the accompanying notes) an English translation of which is included elsewhere in this offering memorandum.

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

For further details regarding the basis of preparation of the Pro Forma Financial Information, please see Note 2 to the Pro Forma Financial Information included elsewhere in this offering memorandum.

Numericable Group

Statement of Income Data (Numericable Group)

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
Revenues	**1,306.9**	**1,302.4**	**1,314.2**
Revenues contributed by the B2C segment[(1)]	830.3	826.2	864.6
Revenues contributed by the B2B segment[(1)]	328.2	323.2	309.6
Revenues contributed by the Wholesale segment[(1)]	148.3	153.1	140.0
Operating income before depreciation and amortization (EBITDA)	**563.2**	**592.3**	**560.1**
EBITDA margin rate	43.1%	45.4%	42.6%
Depreciation and amortization	(294.5)	(291.7)	(304.0)
Operating income	**268.7**	**300.5**	**256.0**
Finance costs, net	**(186.0)**	**(211.4)**	**(323.6)**
Income tax expense	(13.4)	(2.5)	132.8
Share in net income (loss) of associates	(0.3)	(0.2)	(0.5)
Net income (loss) from continuing operations	**69.0**	**86.4**	**64.7**
Net income from discontinued operations[(2)]	126.1	—	—
Net income (loss) attributable to owners of the entity	**194.9**	**86.4**	**64.6**

(1) Segment revenues presented herein are after inter-segment eliminations. Revenues before inter-segment eliminations (in accordance with Note 5 to Numericable Group's consolidated annual financial statements for the year ended December 31, 2013) form the basis of the operation and financial review in ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Overview—Introduction*'' for an explanation of this approach and a reconciliation of the figures.

(2) Represents the results of Coditel Belgium and Coditel Luxembourg, which were sold by the Group on December 31, 2011.

Statement of Financial Position Data (Numericable Group)

	As of December 31,		
	2011	2012	2013
	(in € millions)		
Goodwill	1,458.6	1,458.7	1,483.6
Other intangible assets	346.1	326.2	307.4
Property, plant and equipment	1,348.6	1,389.9	1,464.8
Investments in associates	3.6	3.4	2.9
Other non-current financial assets	7.8	6.8	7.3
Deferred Tax assets	—	—	132.7
Total Non-current assets	**3,164.6**	**3,185.0**	**3,398.6**
Inventories	39.0	45.6	49.6
Trade receivables and other receivables	363.0	417.4	402.9
Other current financial assets	0.0	4.0	4.0
Income tax receivable	0.0	0.0	3.4
Cash and cash equivalents	40.6	8.0	101.4
Total Current assets	**442.6**	**475.0**	**561.3**
Assets classified as held for sale	—	—	—
Total assets	**3,607.2**	**3,660.0**	**3,959.8**
Net invested equity attributable to owners of the entity	**(372.2)**	**(287.4)**	**253.4**
Non-current portion of financial liabilities	2,913.0	2,926.3	2,701.9
Total non-current liabilities	**3,076.8**	**3,101.6**	**2,878.1**
Total current liabilities	**902.7**	**845.8**	**828.2**
Liabilities classified as held for sale	—	—	—
Total equity and liabilities	**3,607.2**	**3,660.0**	**3,959.8**

Statement of Cash Flow Data (Numericable Group)

	For the year ended December 31,		
	2011	2012	2013
	(in € thousands)		
Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax	570,652	566,213	553,918
Net cash provided (used) by operating activities	577,127	530,960	570,279
Net cash provided (used) by investing activities	(237,652)	(285,217)	(342,657)
Net cash provided (used) by financing activities	(489,705)	(278,327)	(134,253)
Net cash from discontinued operations[1]	156,258	—	—
Total net increase (decrease) in cash and cash equivalents	**6,027**	**(32,584)**	**93,369**

(1) Cash flow from discontinued operations in 2011 reflects revenue from the disposal of certain business in Belgium (gross purchase price of €360 million less Coditel debt).

EBITDA, Adjusted EBITDA and Capital Expenditures (Numericable Group)

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
EBITDA[1]	**563.2**	**592.3**	**560.1**
Adjusted EBITDA[2]	**572.2**	**620.9**	**615.9**
Adjusted EBITDA margin rate[2]	**43.8%**	**47.6%**	**46.9%**
Capital expenditures	**242.7**	**285.7**	**319.8**

(1) EBITDA represents operating income before depreciation and amortization. Although EBITDA should not be considered a substitute measure for operating income and net cash provided by operating activities, the Numericable Group believes that it provides useful information regarding the Numericable Group's ability to meet future debt service requirements. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including Altice).

(2) Unaudited. Adjusted EBITDA is equal to EBITDA (i.e., operating income before depreciation and amortization), adjusted for certain items as reflected in the table below. The Numericable Group believes that this measure is useful to readers of its financial statements as it provides them with a measure of the operating results which excludes certain items the Group considers outside of its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding the Group's operating results and cash-flow generation that allows investors to better identify trends in its financial performance. There is no assurance that items considered outside of the recurring operating activities will not recur in the future. It should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies. The following table provides a reconciliation of EBITDA to Adjusted EBITDA:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € millions)		
EBITDA	**563.2**	**592.3**	**560.1**
Debt refinancing or amendment-related advisory fees[a]	3.5	7.4	4.9
Acquisition-related restructuring costs[b]	14.2	2.5	1.4
Provisions/costs for tax and social security audits	0.8	0.6	11.3
Exceptional income from SFR[c]	(19.0)	—	—
Exceptional (profit) or charge due to Orange[d]	(10.0)	0.1	1.1
Exceptional charge due to Free[e]	—	—	6.1
CVAE[f]	10.5	11.9	12.7
Accelerated depreciation of equipment[g]	7.0	5.2	14.7
Penalties[h]	1.9	1.0	—
Costs related to the stock options plan	—	—	3.6
Adjusted EBITDA	**572.2**	**620.9**	**615.9**

(a) Advisory fees paid in connection with the Numericable Group's refinancing transactions (classified in other operating expenses).

(b) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Télécom (classified in purchases and subcontracting services and staff costs and employee benefits expense).

(c) Amount received from SFR in connection with the early termination of a long-term IRU lease it had inherited through an acquisition and no longer needed (classified in revenues of the wholesale segment). See ''Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group''.

(d) Exceptional profit recognized in 2011 for anti-competitive practices by France Telecom which resulted in a €10 million payment by France Telecom to Numericable. Exceptional charge recognized in 2012 for the €0.1 million reserved for the litigation in connection with the patching rack rented to France Telecom. Exceptional charge recognized in 2013 for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce.

(e) Exceptional charge recognized primarily in 2013 for the €6 million penalty relating to the dispute with Free. See Note 20.7.2. in the consolidated financial statements for the year ended December 31, 2013 and ''Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Reconciliation of EBITDA and Adjusted EBITDA''.

(f) As from January 1, 2010, the CVAE (Cotisation sur la Valeur Ajoutée des Entreprises), a French business value-added levy, partially replaced the former local business tax (taxe professionnelle) (classified in taxes and duties).

(g) Non-cash losses resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers (classified in purchases and subcontracting services) and (ii) the transfer of the remaining net accounting value of the assets returned to municipal governments in connection with the exiting of DSP contracts.

(h) Penalties, including penalties payable to SFR as a result of a delay incurred in the deployment of vertical fiber networks pursuant to a fiber deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

Other Operating Data (Numericable Group)

	As of, or for the year ended, December 31,		
	2011	2012	2013
	(in thousands except EBITDA, percentages, number of RGUs per individual user and ARPU)		
B2C Operating Data:			
Footprint[(1)]			
Homes passed[(2)]	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Digital individual subscribers	1,238	1,228	1,264
Multi-play[(3)]	938	972	1,041
Stand-alone television	267	223	193
Other[(4)]	34	34	31
White label end-users[(5)]	206	297	363
Total digital individual users	**1,444**	**1,525**	**1,628**
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
TV Individual RGUs[(6)]	1,216	1,163	1,140
Internet Individual RGUs[(6)]	950	985	1,054
Fixed Telephony Individual RGUs[(6)]	897	946	1,024
Mobile Telephony Individual RGUs[(6)]	47	113	186
Total individual RGUs[(6)]	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user[(6)]	2.27	2.41	2.53
Bulk subscribers[(7)]	1,837	1,829	1,753
Churn—individual subscribers	19.4%	18.6%	19.0%
Stand-alone digital television	16.4%	19.0%	18.9%
Analog television	20.1%	18.3%	19.2%
Triple-play	17.3%	17.2%	17.0%
ARPU per month—new digital individual subscribers (gross-adds)[(8)] €	**41.4**	**41.7**	**41.3**
ARPU per month—digital individual subscribers (customer base)[(8)] €	**40.3**	**40.7**	**41.5**
EBITDA (in € millions)[(9)]	398.4	396.6	385.0
EBITDA margin rate[(9)]	47.7%	47.5%	44.3%
B2B Operating Data:			
Order intake (in € thousands)[(10)]	5,290.0	5,659.7	6,656
Churn rate[(11)]	19.0%	25.3%	25.3%
EBITDA (in € millions)[(9)]	74.0	100.0	71.2
EBITDA margin rate[(9)]	22.3%	30.7%	22.8%
Wholesale Operating Data:			
DSL white label end-users (Bouygues ex-Darty)	204	168	120
EBITDA (in € millions)[(9)]	90.9	95.7	103.9
EBITDA margin rate[(9)]	45.2%	45.2%	51.7%

(1) Operating data related to the Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed ''passed'' if it can be connected to the distribution system without further extension of the network.

(3) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet) triple-play and quadruple play services.

(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony 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) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Group's network represents one RGU. Thus, one subscriber who receives all of the Group's B2C services would be counted as four RGUs. RGUs represent only Numericable brand direct subscribers (i.e., does not include white label or bulk subscribers).

(7) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

(8) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

(9) Segment EBITDA presented herein are before inter-segment eliminations. EBITDA before inter-segment eliminations (in accordance with Note 5 to Numericable Group's consolidated annual financial statements for the year ended December 31, 2013) form the basis of the operation and financial review in ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Overview—Introduction*'' for an explanation of this approach and a reconciliation of the figures.

(10) Order intakes in the B2B segment are an indicator of the increase in revenues generated by new B2B contracts, a measurement which provides the monthly recurring value of new orders for a given period. This indicator includes the additional revenue generated by new contracts executed during a given period. It is comparable to the product of the ARPU of new subscribers multiplied by the volume of new clients in the B2C segment.

(11) The B2B churn rate is an indicator based on the relative value of B2B contracts in a one month period as regards to the value of the same B2B contracts in the previous month, illustrating both loss of clients and price adjustments.

SFR

Statement of Income Data (SFR)

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
Revenues	12,183	11,288	10,199
Cost of sales	(6,857)	(6,299)	(6,129)
Commercial and distribution costs	(1,932)	(2,222)	(2,199)
Selling, general and administrative expense	(1,102)	(978)	(699)
Other operating income	14	11	2
Other operating expense	(84)	(270)	(169)
Operating result	**2,222**	**1,530**	**1,005**
Interest income	1	3	3
Interest expense	(209)	(220)	(232)
Net financing cost	***(208)***	***(217)***	***(229)***
Other financial income	8	2	2
Other financial expense	(70)	(34)	(24)
Financial income	**(270)**	**(249)**	**(251)**
Income from equity affiliates	(17)	(13)	(12)
Pretax income from continuing operations	**1,935**	**1,267**	**742**
Income tax	(535)	(516)	(315)
Net earnings	**1,400**	**752**	**426**
of which			
Attributable to shareholders	**1,399**	**746**	**420**
Net earnings from continuing operations	1,399	746	420
Attributable to non-controlling interests	1	6	6
Net earnings from continuing operations	1	6	6

Statement of Financial Position Data (SFR)

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
ASSETS			
Goodwill	5,188	5,188	5,188
Intangible assets	3,117	4,082	3,931
Tangible assets	4,244	4,468	4,532
Investments in equity affiliates	49	138	152
Deferred tax assets	109	157	127
Other non-current assets	149	161	185
Non-current assets	**12,855**	**14,194**	**14,115**
Inventories	356	245	240
Trade accounts receivable and other receivables	3,015	2,544	2,558
Other current financial assets	2	2	2
Cash and cash equivalents	228	267	394
Current assets	**3,601**	**3,057**	**3,194**
TOTAL ASSETS	**16,456**	**17,252**	**17,309**
EQUITY AND LIABILITIES			
Combined reserves	1,248	2,098	1,860
Earnings	1,399	746	420
Shareholders' equity	**2,647**	**2,844**	**2,281**
Non-controlling interests	4	8	11
Combined equity	**2,651**	**2,852**	**2,291**
Non-current provisions	137	173	156
Long term borrowings and other financial liabilities	4,490	1,561	1,248
Deferred tax liabilities	0	1	2
Other non-current liabilities	633	597	540
Non-current liabilities	**5,259**	**2,333**	**1,947**
Current provisions	236	408	335
Short term borrowings and financial liabilities	2,896	6,506	7,846
Trade accounts payable and other payables	5,412	5,136	4,874
Other current financial liabilities	3	17	17
Current liabilities	**8,546**	**12,067**	**13,071**
TOTAL EQUITY AND LIABILITIES	**16,456**	**17,252**	**17,309**

Statement of Cash Flow Data (SFR)

	For the year ended December 31		
	2011	2012	2013
	(in € millions)		
Net earnings attributable to the Group	**1,399**	**746**	**420**
Adjustments			
Non-controlling interests	1	6	6
Income tax (current/deferred)	535	516	315
Other expenses (including capital gains or loss on financial assets divestitures)	(11)	5	2
Net financial expense	270	249	251
Earnings from equity-affiliates	17	13	12
Amortization, depreciation and operating provisions	1,569	1,745	1,549
Gains or losses on tangible or intangible assets	7	7	8
Tax paid	(643)	(537)	(299)
Change in working capital	54	143	(305)
Inventories	(41)	111	6
Trade accounts receivable	126	203	69
Other receivables	(48)	198	(84)
Trade accounts payable	(80)	(191)	(84)
Other payables	97	(178)	(212)
Net cash flow from (used in) operating activities	**3,197**	**2,892**	**1,960**
Purchase of tangible and intangible assets	(1,845)	(2,765)	(1,665)
Purchases of combined companies, after acquired cash	(48)	(30)	(3)
Increase in financial assets	(68)	(15)	(37)
Investments	**(1,962)**	**(2,809)**	**(1,705)**
Proceeds from sales of property, plant, equipment and intangible assets	13	13	17
Proceeds from sales of combined companies, after divested cash	20	13	10
Decrease in financial assets	2	3	3
Divestitures	**35**	**30**	**29**
Change in working capital related to PPE and intangible assets	23	15	38
Cash flow from investing activities	**23**	**15**	**38**
Net cash flow from (used in) investing activities	**(1,903)**	**(2,765)**	**(1,638)**
Interest paid	(209)	(219)	(232)
Interest received	1	3	3
Dividends paid	(1,458)	(538)	(985)
Repayments of borrowings (inc. Bonds)	(447)	(1,019)	(15)
Change in shareholder advances	2,142	2,144	1,066
Change in other financial liabilities	(1,144)	(455)	(25)
Other cash flow related to financing activities	(40)	(5)	(7)
Net cash flow from (used in) financing activities	**(1,155)**	**(89)**	**(195)**
Change in cash and cash equivalents			
Opening balance	89	228	267
Closing balance	228	267	394
Change in cash and cash equivalents	**139**	**38**	**128**

Adjusted EBITDA and Capital Expenditures (SFR)

	For the year ended December 31, 2013
	(in € millions)
Adjusted EBITDA[(1)]	2,846
Capital expenditures[(2)]	1,610

(1) Adjusted EBITDA represents operating income before depreciation and amortization, restructuring costs and other non-recurring costs, stock option expenses and other costs/revenues. For a reconciliation to operating income to Adjusted EBITDA, see Note 5 to the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this offering memorandum. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies.

(2) Investments net of WCR change.

Combined Group

Statement of Income Data (Pro Forma Condensed Consolidated Financial Information of the Combined Group)

	For the year ended December 31, 2013
	(in € millions)
Revenue	11,472
Operating expenses	(10,214)
Operating income	1,258
Finance costs	(940)
Income tax expense (income)	(175)
Share in net income (loss) of associates	(12)
Net income (loss)	129
—Attributable to owners of the entity	123
—Attributable to non-controlling interests	6

Statement of Financial Position Data (Pro Forma Condensed Consolidated Financial Information of the Combined Group)

	For the year ended December 31, 2013
	(in € millions)
Goodwill	12,023
Other intangible assets	4,238
Property, plant and equipment	5,990
Investments in associates	155
Other non-current financial assets	192
Deferred tax assets	260
Non-current assets	**22,857**
Inventories	290
Trade receivables and other receivables	2,939
Other current financial assets	6
Income tax receivable	6
Cash and cash equivalents	0
Assets classified as held for sale	—
Current assets	**3,241**
Total assets	**26,099**
Total invested equity	**6,886**
Non-current financial liabilities	11,600
Non-current provisions	230
Deferred tax liabilities	2
Other non-current liabilities	1,388
Non-current liabilities	**13,220**
Current financial liabilities	22
Current provisions	341
Trade payables and other current liabilities	5,630
Current income tax liabilities	
Liabilities classified as held for sale	—
Current liabilities	**5,993**
Total equity and liabilities	**26,099**

Adjusted EBITDA and Capital Expenditures (Pro Forma Condensed Consolidated Financial Information of the Combined Group)

	For the year ended December 31, 2013
	(in € millions)
Adjusted EBITDA[(1)]	3,459
Pro Forma Synergies for the Transactions[(2)]	350
Pro Forma Adjusted EBITDA (including Pro Forma Synergies)	3,809
Capital Expenditures	1,930

(1) Adjusted EBITDA represents operating income before depreciation and amortization, restructuring costs and other non-recurring costs, stock option expenses and other costs/revenues. For a reconciliation to operating income, see Note 5 to the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this offering memorandum. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies.

(2) Gives effect to certain synergies impacting EBITDA which management expects to result in the medium term from the Transactions, including (i) network synergies, which include the elimination of unbundling fees paid to Orange for access to the local loop in areas where the Numericable Group has fixed network coverage, closure of Completel's B2B DSL network, which we expect will be replaced by SFR's nationwide DSL network and optimization of SFR's base station connectivity and backhaul on the Numericable Group's network, (ii) B2C synergies, which includes the overall simplification of the Combined Group's product offering, sales and distribution processes and the sale of the Numericable Group's premium pay television and other services to SFR's existing customer base, (iii) B2B synergies, which includes improvements of the commercial and operational efficiency through strong economies of scale, redeployment of the B2B sales force in order to address new potential clients that are not currently covered by the Combined Group and targeted churn reduction and (iv) other operational synergies, which includes expected savings from the combination of the information systems, financial control and accounting, customer service, sales operations, marketing and branding costs and technical costs of the Numericable Group and SFR. See ''*General Description of our Business and the Offering—Strategy—Realize Network and Operating Synergies to Enhance Free Cash Flow Generation and Fund New Fiber Roll-Out*''. We may not be able to achieve all such synergies for a number of reasons. 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.

Certain As Adjusted Information (Pro Forma Condensed Consolidated Financial Information of the Combined Group)

	For the year ended December 31, 2013
	(in € millions)
Total as adjusted financial debt[(1)]	**11,695**
Net as adjusted financial debt	**11,695**
Pro Forma Adjusted EBITDA (including Pro Forma Synergies)	**3,809**
Pro Forma net finance costs[(2)]	**621**
Ratio of Pro Forma Adjusted EBITDA (including Pro Forma Synergies) to Pro Forma net finance costs	**6.1x**
Ratio of net as adjusted financial debt to Pro Forma Adjusted EBITDA (including Pro Forma Synergies)	**3.1x**

(1) Reflects total debt as adjusted to give effect to the Transaction comprising of the Notes, the Numericable Group Term Loan, finance leases and other liabilities. See ''*Capitalization*''.

(2) As adjusted interest expense represents the gross interest expense, which is calculated using the cash interest expense in connection with the debt incurred in connection with the Transactions using an assumed blended average cash interest rate, and commitment fees for revolving credit facilities. As adjusted interest expense has been presented for illustrative purposes only and does not purport to project our interest rate for any future period or financial condition at any future. Interest expense excludes (a) other financing costs relating to (i) foreign exchange transactions, collection costs and embedded derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

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. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and our ability to pay all or part of the interest or principal on the Notes. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This offering memorandum also contains forward looking statements that involve risks and uncertainties. Our 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. Please see ''Forward Looking Statements''.

In this section, unless the context otherwise requires, the terms ''Numericable Group'', ''we'', ''us'' and ''our'' refers to the Numericable Group only and does not include SFR. Risks relating to the Transactions and SFR have been discussed in this section separately under ''Risks Relating to the Transactions, the Acquisition and the Integration of SFR into Our Business'', ''Risks Relating to SFR's Environment and Legal Matters'' and ''Risks relating to SFR's Industry and Markets''. As a result of this presentation, some risks applicable to the Numericable Group and/or SFR may be discussed multiple times in this section.

In this section, certain risks relating to telecommunications operators conducting business in France are discussed separately under ''Risks Relating to Telecommunications Operators in France''.

Risks Relating to the Transactions, the Acquisition and the Integration of SFR into Our Business

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

The gross proceeds from the offering will be held in escrow pending the satisfaction of certain conditions including the completion of the Acquisition, some of which are outside of our control. If the conditions to the release of the escrow proceeds as described in ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'' are not satisfied by April 30, 2015 or in the event of certain other events that trigger an escrow termination to occur, the Notes will be subject to a special mandatory redemption and you may not obtain the return you expect to receive on such Notes. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*''.

The escrow funds will be limited to the gross proceeds of the offering of the Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the initial issue price of each of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of the special mandatory redemption.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition or the terms of the Acquisition or the financing thereof, between the closing of this offering and the release of the escrow proceeds, will have no effect on your rights as a purchaser of the Notes.

The Acquisition is subject to significant uncertainties and risks.

The consummation of the Acquisition is subject to the conditions set out in the Acquisition Agreement, including regulatory antitrust approval from the French Competition Authority. In addition, the completion of the Acquisition is subject to consultation with the Work's Council, which may delay the completion of Acquisition. The regulator is likely to consider, among other things, the potential impact of the combination between the Numericable Group and SFR on competition between telecoms operators in France. There can be no assurance that the regulator will approve the Acquisition or, if such approvals are granted, it may make such approval conditional on us taking certain actions, such undertaking divestures of certain SFR or Numericable Group assets. Furthermore, in the case that the French Competition Authority requires any concessions from us, demands that we implement remedies to approve the Acquisition or imposes other conditions in approving the Acquisition Agreement, the Acquisition Agreement does not allow for a reduction in the purchase price and requires us to complete the Acquisition. There can be no assurance that such approval will be obtained in a timely manner if at all or that such approval may not be subject to conditions which we cannot comply with in a satisfactory manner or which may be materially adverse the Combined Group's operating results, our ability to integrate the operations of the Numericable Group and SFR or to achieve the anticipated synergies from the Acquisition. Following the consummation of the Acquisition, the French Electronic Communications regulator (ARCEP) may also require the Combined Group to allow the hosting of or the use by other mobile operators of its cable network. We therefore cannot assure that we will be permitted to undertake the Acquisition, do so in a timely fashion or do so without the implementation of burdensome remedies. Moreover, the Acquisition is also subject to litigation risk that is customary for transactions of this type and may be challenged by shareholders, competitors or creditors, which may result in us being required to pay significant amounts to claimants, or in the case of the Acquisition, delay or prevent the acquisitions from closing. See ''*The Transactions*''.

Furthermore, certain agreements, such as shareholders' agreements governing certain JVs, partner, supplier or client contracts and content agreements contain change of control provisions that permit the other party to terminate the agreement in the event a change of control of SFR. We therefore cannot assure that these agreements will not be terminated or renegotiated. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these efforts will be successful.

Anticipated synergies from the Acquisition may not materialize.

Upon completion of the Acquisition, we expect to achieve certain synergies discussed elsewhere in this offering memorandum relating to the operations of SFR and its subsidiaries as they will become part of the Numericable Group and become consolidated subsidiaries of Numericable Group. We may not realize any or all of the anticipated synergies of the Acquisition that we currently anticipate, including if we are unable to consummate the Acquisition. Among the synergies that we currently expect are cross selling opportunities to existing customers of the Numericable Group and SFR, network synergies and other operational synergies. Our estimated synergies from the Acquisition are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we currently estimate and we may incur significant costs in realizing the reorganization of SFR and in reaching the estimated synergies. We may not be successful in integrating some or all these businesses as currently anticipated, which may have a material adverse effect on our business and operations.

The integration of SFR into the Group could result in operating difficulties and other adverse consequences.

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

- integration of SFR into our current business in a cost effective manner, including network infrastructure, management information and financial control systems, marketing, branding, customer service and product offerings;
- outstanding unforeseen or undisclosed legal, regulatory, contractual, labor or other issues arising from the Acquisition;
- integration of different company and management cultures;
- retention and/or renewal of material contracts with business partners, suppliers and certain B2B customers; and
- retention, hiring and training of key personnel.

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

Further, SFR has entered into various agreements with a variety of service and outsourcing suppliers, some of which may be terminated upon the Acquisition as a result of a change in control in SFR's corporate structure. Some of the supply agreements cannot be assigned to any third party outside of SFR. In addition, SFR has entered into agreements with various suppliers for the supply of handset devices. Following the Acquisition, SFR may not continue to benefit from certain of these agreements. Additionally, prior to the Acquisition SFR had not operated as a stand-alone business but was instead a part of a Vivendi. As such, SFR benefited from Vivendi group's operations and support systems, including technology support, back office, accounting and other systems. Accordingly, we may incur additional costs related to these systems as well as other costs which SFR may incur resulting from its separation from Vivendi. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these mitigation efforts will be successful.

Moreover, the Acquisition has required, and will likely continue to require, substantial amounts of certain of our management's time and focus, which could potentially affect their ability to operate the business. Although we analyze and conduct due diligence on acquisition targets, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and our inquiries may fail to uncover relevant information. There can be no assurance that our assessments or due diligence of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Furthermore, our plans to acquire additional businesses in the future are subject to the availability of suitable opportunities. Our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less-favourable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors.

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

Historically, SFR has relied on certain financial, administrative and other resources of Vivendi to operate its business. SFR has entered into certain intergroup agreements with Vivendi which provided SFR with support services. Some of these agreements will automatically terminate upon the Acquisition. As a consequence, SFR may need to adapt certain independent support systems or contract with third parties to replace Vivendi's services from which SFR will not benefit post closing.

SFR will not be controlled by us until completion of the Acquisition.

We currently do not own SFR. We will not acquire SFR until completion of the Acquisition. The Acquisition is subject to regulatory approval. We cannot assure you that during the interim period the business of SFR will be operated in the same way that we would operate it. In addition, until the Completion Date, SFR and its subsidiaries will not be subject to any of the restrictive covenants of the Indentures.

The information contained in this offering memorandum has been derived from public sources and other sources we believe to be reliable.

In preparing this offering memorandum, we have relied on information supplied, or made available, by Vivendi.

The historical information relating to the SFR Group included or referred to in this Offering Memorandum has been obtained by Numericable from public filings by Vivendi and its subsidiaries, and the Numericable Group has relied on such information, together with certain limited additional information provided by Vivendi and/or SFR in the preparation of this offering memorandum. Neither the Numericable Group nor any of its affiliates has obtained any support for such information. Moreover, none of Vivendi, SFR or any of their respective subsidiaries are issuers of the Notes and, accordingly, each investor will be deemed to represent and warrant that such investor has not relied upon Vivendi, SFR or any person affiliated with Vivendi or SFR in connection with its investigation of the accuracy of the information of SFR contained or incorporated by reference in this offering memorandum or its investment decision. See ''*Transfer Restrictions*.'' Subject to the foregoing cautionary statements, investors are urged to review Vivendi's public filings and SFR's public information, any information relating to SFR included herein or incorporated herein by reference, and the pro forma financial information included herein, and to consider, in any event, the potential impact of the Acquisition described in this offering memorandum.

Risks Related to Our Financial Profile

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

We have and after giving effect to the Transactions we will have significant debt and debt service requirements and the instruments governing our indebtedness will permit us to incur additional debt in the future. As of December 31, 2013, as adjusted to give effect to the Transactions, including the issuance of the Notes and the application of the proceeds thereof, the Numericable Group had total third party debt (excluding finance leases and other liabilities) of €11,640 million. See ''*Capitalization*''. In addition, further to the Transactions contemplated in this offering memorandum, the Issuer will also have the ability to borrow €750 million under the Numericable Group Revolving Credit Facilities. See ''*Description of Other Indebtedness—Numericable Group Revolving Credit Facilities Agreement*''.

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

- making it more difficult for us to satisfy our obligations under the Notes;
- requiring that a substantial portion of our cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to us to finance our operations, capital expenditures, research and development and other business activities, including maintaining the quality of and upgrading our network;
- impeding our ability to obtain additional debt or equity financing, including financing for capital expenditures, and increasing the cost of any such funding, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt;
- impeding our ability to compete with other providers of pay television, broadband Internet services, fixed line telephony services, mobile services and B2B services in the regions in which we operate;
- restricting us from exploiting business opportunities or making acquisitions or investments;
- increasing our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and
- adversely affecting public perception of us and our brands.

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

Despite our 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 each Indenture, the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities restrict, but do not prohibit, us from incurring additional debt. We may refinance our debt, and we may increase our consolidated debt for various business reasons which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt we refinance, funding distributions to our shareholders or for general corporate purposes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

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

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

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

Until the Acquisition is approved by the regulatory authorities, we will not have access to cash flow from SFR's operations and will not be able to apply such cash flow to meet the obligations of the Numericable Group. While we will be able to draw up to €300 million under the Numericable Group Revolving Credit Facilities prior to the closing of the Acquisition to service interest on the Notes, the ability to make such draws will be subject to certain conditions, including compliance with a leverage covenant at drawdown and thereafter. See ''*Descriptions of Other Indebtedness—Numericable Group Revolving Credit Facilities Agreement*''.

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

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

We are exposed to the risk of fluctuations in interest rates, primarily under the Numericable Group Term Loan. In addition, any amounts we borrow under the Numericable Group Revolving Credit Facilities will bear interest at a floating rate. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

Restrictive covenants in each Indenture, the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, results of operations and financial condition.

The terms of each Indenture, the Numericable Group Revolving Credit Facilities and the Numericable Group Term Loan contain a number of significant covenants or other provisions that could have a material adverse effect on our ability to operate our business. Subject to certain exceptions, these covenants restrict our ability, and the ability of our restricted subsidiaries, to, among other things:

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

- grant liens and pledge assets.

All of these limitations will be subject to certain exceptions and qualifications, including the ability to pay dividends and make investments. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control.

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

A substantial amount of our indebtedness (including the 2019 Notes) will mature before the 2022 Notes and the 2024 Notes, and we may not be able to repay this indebtedness or refinance this indebtedness at maturity on favorable terms, or at all.

Of the €11,640 million of total borrowings we would have had outstanding as of December 31, 2013 (excluding finance leases and other liabilities and the effect of amortized cost), as adjusted to give effect to the Transactions, including the offering of the Notes and the application of the proceeds thereof, the €5,600 million of borrowings under the Numericable Group Term Loan, the aggregate principal amount of the 2019 Notes and any borrowings outstanding under the Numericable Group Revolving Credit Facilities will mature prior to the maturity dates of the 2022 Notes and the 2024 Notes offered hereby.

Our ability to refinance our indebtedness, on favorable terms, or at all, will depend in part on our financial condition at the time of any contemplated refinancing. Any refinancing of our indebtedness could be at higher interest rates than our current debt and we may be required to comply with more onerous financial and other covenants, which could further restrict our business operations and may have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the 2022 Notes and the 2024 Notes. We cannot assure you that we will be able to refinance our indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of our debt or otherwise, we may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, or seek to raise additional capital.

Exchange rate fluctuations could adversely affect our financial results.

The Numericable Group's and SFR's businesses are exposed to fluctuations in currency exchange rates. The Numericable Group's and SFR's transactional currency is euros, however, following the Transactions, the Group will conduct transactions in currencies other than such primary transactional currency, particularly the U.S. dollar. In addition, the Group will have debt denominated in U.S. dollars under the Numericable Group Term Loan and the amounts incurred in U.S. dollars will not necessarily match the amount it will earn in the corresponding currency. 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 our hedging strategies will adequately protect our 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. In addition, in connection with the Acquisition, we will enter into certain hedging and swap agreements and, if the Acquisition does not occur, we may be required to pay early-termination fees for any such agreements.

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

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

Risks Relating to the Numericable Group's Industry and Markets

The Numericable Group operates in a competitive industry, and competitive pressures could have a material adverse effect on its business.

Following the consummation of the Transactions contemplated in this offering memorandum and the creation of the Combined Group, SFR will cease to be classified as a competitor of the Numericable Group and vice versa.

At of the date of this offering memorandum, the Numericable 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 the Numericable Group faces varies for each of the products and services it offers, in each case the Group generally competes on the basis of price, marketing, product, network coverage and service portfolio specifications and quality and customer care. In the long term, the financial results of the Numericable Group primarily depend on its ability to continue to create, design, obtain and commercialize new products and services as well as maintain market acceptance of its new and existing products and services. The Numericable Group's competitors include companies that have greater scale, better access to financing, more comprehensive product offerings, better geographic coverage, greater financial, technical, marketing and personnel resources, larger subscriber bases, greater recognition and/or longer-established relationships with regulatory authorities, contract providers and customers. The Numericable Group's main competitor across its markets is Orange, the incumbent telecommunications operator in France that has greater financial resources and owns a network that is vastly more extensive than the Numericable Group's and that is unlikely to be duplicated or matched by the Numericable Group in the foreseeable future. SFR is also a significant competitor across the Group's markets, with extensive DSL and mobile networks. Bouygues Télécom and Free also compete with the Group on the B2C market. In the premium television market, Canal+ Group offerings are available throughout the French territory, using satellite, cable, DTT and DSL technologies. In the B2B market, in addition to Orange, SFR and Bouygues Télécom, the Group also competes with international telecommunication operators, such as Colt, Verizon, AT&T and BT, that offer multinationals access to their international networks while the Group's network is national.

In addition, new players from sectors that are either unregulated or subject to different regulations (including Internet players such as Yahoo, Google, Microsoft, Amazon, Skype, Apple, YouTube or audiovisual players) have emerged as competitors to the Numericable Group's content offering. Furthermore, according to recent reports in the French media, the ''on demand'' content provider Netflix may launch its services in France in 2014. This could subject the Numericable Group's content offering to significant competition. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the network, which would put pressure on the revenues and margins of operators like the Numericable Group while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect the Numericable Group's business, financial condition or results of operations.

Some of the Numericable Group's competitors also use different platforms from those used by the Group to deliver competing products and services. Advances in communications technologies and consumer electronics, as well as changes in the structure of information, communication and entertainment offers, are occurring constantly, and their impact is very difficult to predict. The technical development of existing platforms and the introduction of platforms based on new and emerging technologies, particularly wireless technologies such as 4G and wireless local loop technologies might, depending on the success these technologies enjoy and the Numericable Group's ability to develop its products and services on its network, pose a threat to the Numericable Group's competitive position over the longer term. The full extent to which these alternative technologies will compete effectively with the Numericable Group's network may not be known for several years. Market concentrations could result from mergers and acquisitions or from the sharing of certain network equipment (as is the case in central Europe and in Africa), increasing the competitive advantage of the Numericable Group's competitors and increasing the competitive pressure on the Numericable Group.

In sum, current and future competitors may be able to offer a wider range of services to a larger subscriber base or at lower prices than the Numericable Group charges for its services, which could cause the Numericable Group to lose subscribers, force it to lower its prices or otherwise adversely affect the profit margin it is able to achieve from its services. In particular, the Numericable Group faces the following risks in relation to each of its markets:

B2C Market. The B2C market in which the Numericable Group operates is mature and price competition is intense. The Group's competitors in the B2C market primarily include: (i) providers of high speed broadband Internet, IP television (''IPTV'') and fixed-line telephony services using Digital Subscriber Line (''DSL'') or fiber connections and mobile telephony services, including Orange, Free, SFR and Bouygues Télécom; (ii) providers of premium-television packages, such Canal+ Group, which provides premium television packages (CanalSat and Canal+) through IP TV, DTT and satellite and (Canal+ only) through cable; and (iii) providers of emerging digital entertainment technologies.

- *Triple- and quadruple-play.* The French media and telecommunications markets have converged in the B2C segment as customers seek to obtain their media and communications services from a single provider at an attractive price. Bundled packages of services are now the market norm in the B2C segment. A price war in the 4G market could also trigger a price war in the triple- or quadruple play market. In December 2013, the chairman of Bouygues Télécom announced that the company intended to launch a price war in 2014 in the fixed-line internet market, as a result of Free's announcements regarding its 4G offering and its competitors' results. As a result, Bouygues Télécom began offering a triple-play offer at €19.99 per month in February 2014, which is lower than our existing triple-play offer. Although the Numericable Group modified its pricing structure and slightly raised the prices of its products in the first quarter of 2014, if the Numericable Group's bundled products are not able to compete effectively in the marketplace, it may be required to lower prices or increase investment in services to improve quality in order to take advantage of increasing demand for bundled services and retain subscribers.

- *Pay television—audiovisual content.* In the pay-television market, the Numericable Group competes with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free, SFR and Bouygues Télécom, which provide IPTV, and providers of pay-DTT (Canal+, which operates across multiple formats: IP TV, paid DTT, satellite and cable). The growth of IPTV has changed the market, opening up the provision of pay-television 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). In 2012, television distribution by IPTV was the most popular pay-television distribution platform in France (47.7% of overall pay-television subscriptions), ahead of satellite (32.3%), cable (13.2%) and DTT (6.8%) (Source: ScreenDigest).

  The Numericable 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 a lower price than the Numericable Group charges for its cable TV services. Any increase in market share of satellite distribution may have a negative impact on the success of the Numericable Group's digital cable TV services. The Numericable Group also faces competition from satellite distribution of free-to-air television programming. To receive free-to-air programming, viewers need only to purchase a satellite dish and a set-top box. The impact of these market trends can be seen in the decline in the Numericable Group's individual TV RGUs (from 1,292,000 as of December 31, 2010 to 1,140,000 as of December 31, 2013).

  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 a lower price than the Group charges for its cable TV services.

  Furthermore, the number and quality of channels offered in non-premium television packages have significantly increased in recent years. If the Numericable Group's premium television packages are not seen by its subscribers as having a better cost-benefit profile than non-premium television packages (either the Numericable Group's or competitors'), the Numericable Group's subscribers may opt for non-premium television packages of the Group or its competitors.

  Finally, the provision of audiovisual content over-the-top of an existing broadband network (by providers such as Amazon and Apple) by-passes the traditional networks discussed above (including the Group's) and is an increasing source of competition.

- *Broadband Internet and Data Services.* Competition with DSL providers for Internet services is intense in the B2C market and may increase significantly in the future. DSL is currently the most widespread type of broadband Internet access in France. Orange is the leading DSL provider, followed by Free, SFR and Bouygues Télécom. In 2013, Orange, Free, SFR and Bouygues Télécom had market shares of approximately 43%, 25%, 23% and 9%, respectively, based on the total number of subscribers in France (Source: Numericable Group estimates). The Numericable Group had a market share of 4.2% (Source: Numericable Group estimate) on the basis of the total number of subscribers in France, notwithstanding the fact that the Numericable Group's offers allow for higher connection speeds and capacity than most DSL products offered by competitors, which is indicative of the lead taken by DSL in France and the relatively limited development of the very high speed broadband market in France to date. To the extent that DSL access providers roll-out FTTH or VDSL2 networks, the Numericable Group's current competitive advantage to exploit the increased demand for very high speed internet due to the performance and capacity of its network may diminish. See ''*—The deployment of fiber and/or VDSL2 networks by the Numericable Group's competitors may reduce, and ultimately eliminate, the speed and bandwidth gap between the Numericable Group's fiber/cable network and the DSL networks of its main competitors*.''

The Numericable Group's DSL competitors have much more complete coverage of French homes: Orange's fixed-line network includes a local loop covering all French homes, and unbundling provides competitors such as SFR, Bouygues Télécom and Free with access to all homes where unbundling has occurred (over 82% of French homes), at a price regulated by the ARCEP. The Numericable Group's DSL competitors may therefore be more efficient in their marketing than the Numericable Group, whose network only connects 35% of French homes.

The Numericable 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 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 Numericable 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 customers to access the Internet remotely.

In addition, the Numericable Group could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to its fiber network. See ''*—SFR and the Numericable Group operate in a heavily regulated industry. Regulatory compliance may increase its costs or restrict their business activities, and non-compliance could lead to sanctions. Future changes in regulation could adversely affect their businesses*.''

B2B Market. Competition in the B2B market, though not as intense as in the B2C market, is strong and may increase. Large B2B customers tend to unbundle services (seeking tenders for specific network, broadband, fixed-line and mobile telephony requirements) and to focus primarily on price. The data needs of businesses, including medium-sized companies (''MEs'') are becoming more complex The Numericable Group faces significant competition from established and new competitors in the B2B telecommunications market. Competitive pressure in this segment may lead to increasing churn levels and/or price erosion. In addition, B2B customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. B2B customers, including MEs, tend to focus on ''infrastructure as a service,'' integrated solutions for data availability, storage, and security. The Numericable Group's competitors may have a more effective customer relations teams or a more established presence in certain regions. The Numericable Group's main competitors in this segment are Orange (Orange Business Services), SFR (SFR Business Team) and Colt. Bouygues Télécom Enterprises is also a competitor in the small and medium-sized companies segment. As of December 31, 2013, the Numericable Group had a market share estimated at approximately 7% (4% for medium-sized businesses and approximately 8% for large businesses and public sector entities) (Source: Group estimates). The Numericable Group's lack of international presence is a competitive disadvantage compared to large international operators.

- *Voice.* The B2B market for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (one year) contracts. The ability to compete effectively is partially a function of network capillarity, and certain of the Numericable Group's competitors have a more extensive and denser network than the Numericable Group. Although the Numericable Group has entered into an MVNO agreement with SFR, allowing it to provide mobile telephony services to

B2B customers, the cost structure is not as favorable as it would be, if the Numericable Group was to provide such services through its own mobile network. Furthermore, the trend to use mobile services in a B2B environment is increasing. Thus, the increase in operators of broadband telephony services and mobile telephony could lead to a decrease in the Numericable Group's B2B revenues.

- *Data.* In the B2B market for data services, network power, including the capacity to transport high amounts of data, and access to the latest technologies are very important to customers. The Numericable Group's competitors may invest more heavily in network power and technological advancements and therefore compete more effectively for B2B customers than the Numericable Group. In the data market, customers also often seek combined infrastructure and software solutions. As a result, the Numericable Group also competes with software and other IT providers of data and network solutions, which may decrease the value customers place on the Group's infrastructure solutions, leading to a reduction in Numericable Group prices and margins. IT providers may also partner with the Numericable Group's infrastructure telecommunications competitors.

Wholesale Market. The French wholesale telecommunications market is dominated by Orange and SFR, although their market shares vary depending on the segment. In the fiber wholesale segment, Orange is the dominant player, with a market share of approximately 70% as of December 31, 2013 (Source: Numericable Group estimate). The Numericable Group estimates that it has a market share between 10% and 20% in the three wholesale sectors of voice, data, and fiber. The Numericable Group also faces competition from consortiums of telecom 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).

- *Voice.* The wholesale market for voice services is extremely volatile. Operators generally launch offers to tender each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators in this sub-segment. Competition is therefore based primarily on price and network capillarity.
- *Data.* The wholesale market for data services is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement.
- *Dark Fiber Infrastructure.* The wholesale market for dark fiber infrastructure is more open than for wholesale voice and data carrier, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e., they rent the fiber to telecommunications operators).

The Numericable Group believes it has a very good understanding of its competitive position and takes such position into account in its strategic and commercial decisions. Nevertheless, significant levels of competition in the Numericable Group's markets may have a material adverse effect on the Numericable Group's ability to attract new customers and retain existing customers and lead to higher churn levels, increased price pressure and reduced margins.

Furthermore, the Numericable Group's strategy is based on increasing demand for its triple- and quadruple-play products and services in the B2C market and for data services in the B2B market in France. The use of Internet, e-commerce, data transmission, multimedia applications and other applications using high speed broadband in France has increased sharply in recent years. If demand for triple- and quadruple-play products as well as demand for B2B data services (such as cloud services, hosting services and IP VPN) in general does not continue to increase as expected, the impact of competition could increase.

Such consequences could have a material adverse effect on the Numericable Group's business, financial condition and results of operations.

The deployment of fiber and/or VDSL2 networks by the Numericable Group's competitors may reduce, and ultimately eliminate, the speed and bandwidth gap between the Numericable Group's fiber/cable network and the DSL networks of its main competitors.

Following the consummation of the Acquisition and the creation of the Combined Group, SFR will cease to be classified as a competitor of the Numericable Group and vice versa.

As of the date of this offering memorandum, the Numericable Group believes that one of its core competitive advantages is the strength and speed of its fiber/cable network. Over 85% of the Numericable Group's overall network is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of December 31, 2013. The portion of the Numericable Group's network that has been upgraded to FTTB and uses EuroDocsis 3.0 technology allows for speed levels that cannot currently be matched by the DSL technology deployed by most of the Numericable Group's competitors and allows for the connection of several devices without impairing the quality of the TV signal. The portion of the Numericable Group's network that functions on EuroDoscsis 2.0 technology, the Numericable Group believes, also allows for higher download speeds than its DSL competitors.

The Numericable Group's competitors may deploy fiber and/or VDSL2 networks allowing for download speeds and bandwidths which may rival those achieved by the Numericable Group's network and therefore reduce and/or destroy the Numericable Group's competitive advantage. The Numericable Group's main DSL competitors (Orange, Free, SFR and Bouygues Télécom) have begun to roll out FTTH networks in order to increase and harmonize their network speed. In line with the law on modernization of the economy dated August 4, 2008 and in line with the conditions set forth by the ARCEP (decision 2009-1106 dated December 22, 2009 and decision 2010-1312 dated December 14, 2010), other operators will be able to obtain access to the infrastructure deployed by an operator, including through co-financing projects, for their own very-high-speed broadband offers. The DSL operators have all announced various agreements with respect to mutualizing deployment of FTTH in certain areas. Orange and Free, for example, entered into an agreement in July 2013 providing for the deployment by Free of a fiber network utilizing Orange's infrastructure in approximately 20 French cities. This agreement is general in nature and allows for open access by all competing operators. In addition, in February 2013, the government announced a €20 billion FTTH deployment plan and a goal to provide very high speed internet access to 50% of the population by 2017 and 100% by 2023. In October 2013, the government pledged to provide €3 billion in subsidies to municipalities for FTTH deployment (Source: Investissements d'avenir—développement de l'économie numérique). Several communities have already granted subsidies to network operators to install FTTH connections. These grants should continue, with some regions such as the Hauts-de-Seine, Amiens and Louvin districts, for example, already having entered into public-private partnerships in an effort to encourage such investments. Furthermore, Orange may decide, either as an alternative to FTTH or more probably as an intermediate approach pending the FTTH roll-out, to upgrade a portion of its network to VDSL2. See ''*Industry, Competition and Market Overview—B2C Market—Broadband Internet—Primary Distribution Platforms—DSL, Fiber and Cable*''. Orange announced that it expects to run a beta test of VDSL2 for certain consumers on its network during the course of the fall of 2013. Free has also announced that it would make its current offerings upgradeable to VDSL2 should the technology become available in a subscriber's location. In October 2013, the government published a model national agreement for the national government, municipal governments and private operators, and the first of these agreements was signed in Lille at the end of October 2013. Given the support of the national and municipal governments, FTTH deployment by the Numericable Group's competitors could accelerate, and FTTH's share of the high-speed internet market could increase significantly with an increase of 72% in one year as of January 1, 2014 which could result in an increase of 73,000 subscriptions in one quarter and 226,000 subscriptions in one year (Source: ARCEP).

The Numericable Group's competitors have also implemented VDSL2 technology in certain locations. ''*Industry, Competition and Market Overview—B2C Market—Broadband Internet—Primary Distribution Platforms—DSL, Fiber and Cable*''.

If Orange, SFR and/or other competitors continue to deploy or significantly expand their fiber networks they may be able to compete with the Numericable Group's offers in terms of television and broadband Internet services at a level of quality and speed equal or superior to the Numericable Group's, potentially eliminating the Group's current competitive advantage, increasing pressure on prices and margins and leading the Numericable Group to incur significant capital expenditures to match their service offerings. Following the implementation of a VDSL2 solution by such competitors could also reduce the Numericable Group's competitive advantage. The deployment of fiber and/or VDSL2 networks by competitors is also a risk for the Group's B2B segment, particularly with respect to MEs, SMEs and SoHos, for which the Numericable Group's fiber/DSL network is also currently an advantage. While the Numericable Group has invested and improved its offerings in response to fiber/VDSL2 deployment, such deployment could have a material adverse effect on the Numericable Group's business, financial condition and results of operations.

The Numericable 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 the 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 Numericable 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. The Group continuously evaluates its products and services in order to develop new offerings and improve the functionality of current offerings. In May 2012, the Numericable Group launched LaBox, which it believes is one of the most powerful and interactive set-top boxes on the French market. LaBox has been very successful with consumers, with the Numericable Group equipping subscribers with approximately 300,000 units as of December 31, 2013, and has generated increasing ARPU. No assurance can be given, however, as to the continued success of LaBox among the Numericable Group's customer base. Should LaBox not enjoy continued success, or should the Numericable Group fail to or be significantly delayed in introducing new products and services in the future, or if its new products and services are not accepted and demanded by customers, its business and results of operations may be adversely affected.

In addition, the Numericable Group may be required to incur additional marketing and customer service costs in order to attract new customers and retain existing customers and attract them to any new 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 Numericable Group's margins.

The Numericable Group's reputation and financial condition may be affected by product quality issues, in particular in connection with LaBox and its next generation replacements.

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

The Numericable Group may not be able to respond adequately to technological developments.

To remain competitive, the Numericable Group must continue to increase and improve the functionality, availability and features of its network, particularly to upgrade its bandwidth capacity to keep up with increasing demand for bandwidth-intensive services. In general, the telecommunications industry faces challenges, in particular with respect to:

- rapid and significant technological change;
- the frequent upgrading of existing products and services in connection with new technologies; and
- the introduction of new industry standards and practices that render current company technologies and systems obsolete.

Although the Numericable Group attempts to stay ahead of the market by closely following technological developments and making investments implementing such developments, it is difficult to predict the effect of technical innovations on the Numericable Group's business. In the B2B segment, the Numericable Group may not be able to provide the technical solutions that become expected by B2B customers. The Numericable Group may also be unable to adapt to new or existing technologies to meet customer needs within an appropriate time frame. Any such inability could have a material adverse effect on the Numericable Group's business, financial condition and results of operations. The Numericable 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 Numericable Group's margins.

The Numericable Group is exposed to a risk of litigation in case of a software failure or a third-party claim of ownership of software.

Open-source software, which is defined as software distributed under a free license, such as general public license (GPL), is usually governed by the following principles: (i) freedom and free fees to use, study, modify and distribute the software and developments derived and (ii) the requirement that developments made from such software are subject to the same license. Accordingly, no contractual warranty is granted for the benefit of users and developments made from open-source software may need to be disclosed and allowed to be used freely by third parties.

The Numericable Group may therefore not benefit from any contractual remedy in case of failure of open-source software and can not avoid the risk of a third party claiming ownership of developments made from open-source software or requesting disclosure of the source code of such software.

We may also be the target of so-called ''patent trolls''. The ''patent trolls'', or non-practicing entities, are principally engaged in the acquisition of patents and licensing, without actively producing goods or providing services, and commencing litigation alleging that such patents and licenses have been infringed. The Numericable Group cannot avoid the risk of litigation claims from patent trolls, which could impede the level of innovation by the Numericable Group, and force it to invest in research and development in order to circumvent the patents held by patent trolls and/or require it to enter into certain transactions with patent trolls when licenses terminate. Such activities, or if we lose litigation with such entities, could have adverse financial consequence.

Risks Relating to the Numericable Group's Business and Operations

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

Customer churn is a measure of the number of customers who stop subscribing for one or more of the Numericable 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 Numericable 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 Numericable Group. For example, any interruption of the Numericable Group's services, including the removal or unavailability of programming, which may not be under the Numericable Group's control, or other customer service problems could contribute to an increase in customer churn or inhibit the Numericable Group's goal of reducing customer churn. In addition, the Numericable Group outsources many of its customer service functions to third-party contractors over which it has less control than if it was performing those tasks itself. Moreover, the churn rate in the Numericable Group's white label business may increase for reasons outside the Numericable Group's control (as it is not involved in client services and retention). In particular, Bouygues Télécom's acquisition of Darty's telecommunications business in July 2012 has already led to a decrease in Darty's DSL white label customers, which is expected to continue in the long-term (see ''*Business—The Group's Business lines—Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*''). Finally, the Numericable Group continues to provide analog television services to its subscribers, though it expects the number of subscribers to these services to continue to decrease and that these services will eventually cease. 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 Numericable Group's business.

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. This leads to margin pressure. See ''*Management's Discussion* *and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Churn*'' for more information on historic churn rates.

The Numericable Group does not have guaranteed access to programs and is dependent on its relationships and cooperation with program providers and broadcasters.

In the B2C segment, the Numericable Group's success depends, among other things, on the quality and variety of the programs it delivers to subscribers. The Numericable Group does not produce its own content and is dependent upon broadcasters for programming. For the provision of programs distributed via the Numericable Group's network, the Numericable Group has entered into carriage agreements with public and commercial broadcasters for the analog and digital non-paying and pay carriage of their signals. The Numericable Group depends upon such broadcasters for the provision of programs to attract subscribers. Program providers may have considerable power to renegotiate the fees the Numericable Group charges for the carriage of their products and the license fees paid to them. The duration of these distribution contracts varies from one to four years. The Numericable Group may be unable to renegotiate these distribution agreements on terms that are as attractive as those of the current contracts, which could result in a decline in the Numericable Group's carriage-fee revenue or an increase in the Numericable Group's programming and license-related costs. In addition, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as CanalSat's satellite platform, digital terrestrial broadcasting or IPTV, or may enter into exclusive arrangements with other distributors, which would undermine the Numericable Group's competitive advantage as the sole bundler of packages with content similar to that offered by CanalSat at no extra charge.

The Numericable Group intends to negotiate additional access to programming to expand its cable TV offering beyond its current cable TV packages and to enhance existing programming. Rights with respect to a significant amount of premium and/or high definition (''HD'') content are, however, already held by competing distributors and, to the extent such competitors obtain content on an exclusive basis, the availability of new programs to the Numericable Group could be limited. Furthermore, as the Numericable Group continues to develop its VOD and other interactive services, its ability to source content for free VOD, subscription VOD and transaction VOD offerings will be increasingly important and will depend on the Numericable Group's ability to maintain relationships with and cooperation from program providers and broadcasters for both standard and HD content.

If the Numericable Group were unable to obtain or retain attractively priced competitive programs on its networks, demand for its television services could decrease, thereby limiting its ability to maintain or increase revenues from these services. The loss of programs or the inability to secure premium content on favorable terms or at all could have a material adverse effect on the Numericable Group's business, financial condition and results of operations.

The Numericable Group relies on third parties to provide services to its customers and to conduct its operations. Any delay or failure by such third parties to provide their services or products, any increase in the prices they charge the Group or any decision not to renew their contracts with the Numericable Group could cause delays or interruptions in the Numericable Group's operations, which could damage the Numericable Group's reputation and lead to a loss of revenue and/or customers.

Following the consummation of the Transactions contemplated in this offering memorandum and the creation of the Combined Group, SFR will cease to be classified as a competitor of the Numericable Group and vice versa and risks relating to the Numericable Group operating as an MNVO will no longer apply.

As of the date of this offering memorandum, the Numericable Group has important relationships with several suppliers of hardware, software and services that it uses to operate its network and systems and provide customer service. In many cases, the Numericable Group has made substantial investments in the equipment or software of a particular supplier, making it difficult to quickly change supply and maintenance services in the event that its initial supplier refuses to offer it favorable prices or ceases to produce equipment or provide the support that the Numericable Group requires.

The Numericable Group also makes use of a number of subcontractors to maintain its network, operate its call centers and supply, install and maintain the terminals set up at residential customers' homes and B2B customer sites. Even though the Numericable Group works with a limited number of subcontractors which are carefully selected and closely monitored, it cannot guarantee the quality of their services or that such services will be fully compliant with the quality and safety standards the Numericable Group or other contractors require. In the event that hardware or software products or related services are defective, or if the tasks assigned to the Numericable Group's subcontractors are not properly carried out, it may be difficult or impossible to enforce recourse claims against suppliers or subcontractors, especially if warranties included in contracts with these suppliers or subcontractors are less extensive than those in the Numericable Group's contracts with customers, in certain cases, or if these suppliers or subcontractors are insolvent. Any such difficulties could damage the Numericable Group's relationships with its clients and its brand reputation.

As is common in the telecommunications industry, the Numericable Group is also dependent on certain of its competitors. Although the Numericable Group attempts to diversify its commercial relationships with its competitors, the risk of dependence on them remains. In particular, the Numericable Group relies on Orange for a portion of their network infrastructure, in particular with respect to its B2B business; and the Canal+ Group with which the Numericable Group has a number of content provision contracts. See ''*Business—Material Contracts*.'' The Numericable Group may not be able to renew these agreements on favorable terms or at all.

The Numericable Group cannot guarantee that it will timely obtain the hardware, software and services it needs for the operation of its business on competitive terms and in adequate amounts, or at all. The occurrence of any of these risks may create technical problems, damage the Numericable Group's reputation, result in the loss of customers and have a material adverse effect on the Numericable Group's business, financial condition and results of operations. See ''*Business of Numericable Group—Dependency*.''

The continuity of the Numericable Group's services is highly dependent on the proper functioning of its IT infrastructure and any failure in such infrastructure could materially adversely affect the Numericable Group's business, financial condition or results of operations.

A flood, fire or other natural disaster, terrorism, a power loss or other catastrophe affecting part of the Numericable Group's network could have a material adverse effect on its operations and customer relations. Disaster recovery, security and service continuity protection measures that the Numericable Group has or may in the future undertake, and its monitoring of network performance, may be insufficient to prevent losses. The Numericable Group is insured against operating losses up to a capped amount. Any catastrophe or other damage that affects the Numericable Group's network could result in substantial uninsured losses. The Numericable Group's network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time.

In addition, the Numericable Group's business is dependent on certain sophisticated critical systems, including its network operating center and billing and customer service systems. In particular, the hardware supporting a large number of critical systems for the Numericable Group's network is housed in a relatively small number of locations. Although the Numericable Group has extensive back-up systems, the risk of such systems being inadequate to handle a peak in service cannot be ruled out, which could lead to a slowdown or the unavailability of IT systems for a period of time, and with respect to the Numericable Group's B2B customers, financial penalties.

Although the Numericable Group's IT policy is designed to secure its infrastructure, no assurances can be given that the Numericable Group's servers and network would not be damaged by physical or electronic breakdowns, computer viruses, cyber-attacks or similar disruptions. In addition, unforeseen problems may create disruptions in the Numericable Group's IT systems. There can be no assurance that the Numericable Group's existing security system, security policy, back-up systems, physical access security and access protection, user administration and emergency plans will be sufficient to prevent data loss, counteract a cyber-attack or minimize network downtime. Sustained or repeated disruptions or damage to the network and technical systems which prevent, interrupt, delay or make it more difficult for the Numericable Group to provide products and services to its customers could cause considerable damage to the Numericable Group's reputation, lead to the loss of customers, cause a decrease in revenue and require repairs, and may trigger claims for the payment of damages. Any such disruptions or damages could have a material adverse effect on the Numericable Group's business, financial condition and results of operations.

The Numericable Group does not own a mobile network and is dependent on a mobile network provider. The Group may not be able to renew its agreements with its mobile network provider or to renew such agreements on favorable terms.

Following the Acquisition and the creation of the Combined Group, it is anticipated that the Numericable Group will transfer its mobile telephony business onto the network of SFR. Therefore, this risk may not apply once the Combined Group commences its operations.

The Numericable Group does not have its own mobile network. The Numericable Group has long-term MVNO contracts with SFR and Bouygues Telecom for the transmission of voice and data, under which the Group offers mobile telephony services to its customers under its own brands, Numericable and Completel, using the network of Bouygues Telecom or SFR. Bouygues Télécom is its network provider under several long-term MVNO agreements for voice and data transmission pursuant to which Numericable offers 3G mobile telephony services to consumers under the Numericable brand through the nationwide network of Bouygues Télécom. The agreements relating to voice transmission services are due to expire in 2017 and those automatically roll-over if not terminated prior to the expiration date by either party. The agreements with Bouygues Télécom relating to data transmission were automatically renewed in 2012 for an indefinite term, subject to termination by either party with twelve months' notice. The agreement with SFR is due to expire in 2020 and will be automatically renewed for an indefinite period, except if terminated prior to the expiration date by either party. No assurance can be given that such contracts will be renewed at all or on as favorable terms. In addition, while Bouygues Télécom and SFR have a best efforts obligation under the respective MVNO agreements, Bouygues Télécom has the unilateral right to modify their terms should it become unable to perform all or part of its obligations due to technical or regulatory reasons. Further, under the agreement with SFR, certain changes in economic, financial, technical or regulatory circumstances trigger an obligation on the parties to consult in good faith on the need to adapt the contract and the amendments to it in order to place the parties in a balance position comparable to that which prevailed before. The termination or modification of the MVNO agreements could have a material adverse effect on Numericable's business, results of operations or financial condition. See ''*Business of the Numericable Group—DSP 92 Agreements—MVNO Agreements*''.

The Numericable Group expects to continue to provide its customers with reliable service over the network of other providers in order for its quadruple-play offers to be successful. The Numericable Group relies on the providers and their affiliates to maintain their mobile facilities and government authorizations and to comply with applicable policies and regulations. If one of the provider or its affiliates fails to do so, the Numericable Group may incur substantial losses as a result of service disruptions. Delays or failure to add network capacity, or increased costs associated with adding capacity or operating the network, could limit the Numericable Group's ability to increase its customer base and therefore limit its ability to increase its revenues or cause a deterioration of its operating margin. The risks related to provider network and infrastructure include physical damage to access lines, breaches of security, power surges or outages, software defects and disruptions beyond providers' control, such as natural disasters and acts of terrorism. Any impact on the nationwide providers network will have an adverse effect on Numericable's business and may adversely affect its business, results of operation and financial condition.

MVNO contracts with Bouygues Telecom do not currently allow the Numericable Group to access the 4G network supplier contrary to contract with SFR, which includes the provision of 4G services. The MVNO agreements with providers do not allow the Numericable Group to transfer its customers' mobile usage to WiFi. The fact that the Numericable Group is currently not technically able to transfer its customers' mobile usage to WiFi could place it in a less favorable position compared to its competitors who are able to transfer mobile usage to WiFi, thereby affording such competitors a structurally lower cost base.

Moreover, the financial terms of the contracts entered into with Bouygues Télécom include a flat fee and a fee based on the actual level of consumption of mobile telephony services by Numericable's subscribers on Bouygues Télécom's network. Therefore, even if Numericable's subscribers use low levels of mobile telephony services, it will still be charged a monthly flat fee by Bouygues Télécom, causing a deterioration of Numericable's operating margin. Conversely, if Numericable's subscribers use higher levels of mobile telephony services, it will be charged a higher fee based on such levels of consumption. As Numericable's mobile subscribers pay a flat subscription fee to it, higher usage patterns and hence higher fees under the contracts entered into with Bouygues Télécom could put pressure on Numericable's margins. Under the MVNO agreement with SFR, Completel pays SFR (i) the subscription fee and (ii) in case of exceeding the level of consumption included in the subscription, a compensation which is based on actual consumption of end customers Numericable Group and type of services provided, with a minimum annual billing depending on the type of services.

The Numericable Group operates in a capital intensive business.

The Numericable Group's business is capital intensive. It requires ongoing investment in network maintenance and in subscriber retention It also requires investment to take advantage of growth opportunities, such as the build-out of an FTTB network.

In particular, the Numericable Group is seeking to upgrade and expand its network and will incur substantial capital expenditure to do so. Firstly, the Group intends to continue to upgrade and expand the reach of its EuroDocsis 3.0-enabled network. The Numericable Group has increased the number of homes passed by its EuroDocsis 3.0/200 Mbits by 408,000 homes in 2013. It expects to continue to increase the number of homes passed by its EuroDocsis 3.0/200 Mbits and above technology by 700,000 to 800,000 homes by the end of 2014, and intends to continue to upgrade its network fiber in order to make them compatible with EuroDocsis 3.0/200 Mbits which is likely to increase the Numericable Group's capital expenditure. It also expects to develop its FTTH networks in the context of public-private partnerships, such as its ''DSP 92'' project. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Capital Expenditures*'' for more information on these capital expenditures. No assurance can be given that the amount of capital expenditures will not be higher than expected, that the Numericable Group will be in a position to finance such capital expenditure on acceptable terms or that such capital expenditure will be profitable. Additionally, the Numericable Group's credit facilities limit its ability to make capital expenditures. See ''*Description of Other Indebtedness*.'' No assurance can be given that the Numericable Group will continue to have sufficient resources to maintain the quality of and expand the reach of its network and its other products and services, which are key to the Numericable Group's growth in the long-term. The need for unexpected capital expenditure, the inability to finance such capital expenditure at acceptable cost or the failure to generate profits on capital expenditure could have a material adverse effect on the Numericable Group's business, prospects, financial condition or results of operation.

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

The Numericable Group continues to provide analog television services to subscribers, but expects that the number of subscribers to such services will continue to decline and that such services will ultimately be phased out. Furthermore, the Group's analog television subscribers may decide, upon their transition to a digital television service, to shift to other providers of television services.

The Group also expects its DSL white label business with Bouygues Télécom (previously with Darty) to continue to decline. Bouygues Télécom acquired Darty's telecom business in July 2012. According to the agreement with Bouygues Télécom, a certain number of customers were migrated in 2012 to Bouygues Télécom's network (such customers being only partially unbundled on the Numericable Group's network and able to be fully unbundled on Bouygues' network), but the remaining clients will not be automatically migrated to Bouygues Télécom's DSL network. Since this acquisition, Bouygues Télécom has been recruiting, and the Numericable Group expects it to continue recruiting, new subscribers on its own DSL network, and churn at Darty is leading to a decrease in customers on the Group's DSL network. The Numericable Group expects these trends to continue. If the revenue and profitability loss from such businesses is not offset by revenue and profitability growth in other Numericable Group businesses, this could have a material adverse effect on the Group's business and financial condition.

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

The Numericable 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 Numericable 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 Numericable 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 Numericable Group's operations, access the Numericable Group's services without paying, damage its computers or otherwise damage its reputation and business. While the Numericable 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 Numericable Group's agreements with content providers, all of which could have a material adverse effect on the Numericable Group's business, results of operations and financial condition. Furthermore, as an electronic communications services provider, the Numericable 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 Numericable 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.

Labor disputes could disrupt the Numericable Group's operations, affect its reputation or make it more costly to operate its facilities.

As of December 31, 2013, the Numericable Group had 2,077 employees, some of whom are members of trade unions. The Numericable Group may experience lengthy consultations with labor unions and works councils as well as strikes, labor disputes, work stoppages and other labor movements, and difficulty in attracting and retaining personnel due to localized or industry-wide strikes. Strikes and other labor movements, as well as the negotiation of new collective bargaining agreements or salaries, could disrupt the Numericable Group's operations and have a material adverse effect on the Numericable Group's business, financial condition and results of operations. The Group has faced several strikes: from its personnel between 2005 and 2007 when, in connection with its merger with former cable operators, it completed several rounds of headcount optimization; in early 2009, when the Numericable Group terminated the employment of a number of its salespersons; and in the Spring of 2010, when it amended certain of the Numericable Group's door-to-door salespersons' employment terms and conditions. The strikes in 2009 disrupted headquarters' operations and let to adverse publicity.

The Numericable Group also faces the risk of strikes called by employees of its key suppliers of materials or services as well as its installation providers, the latter typically being organized into regional unions, which could result in interruptions in the performance of the Numericable Group's services. Although the Numericable Group monitors its labor relations, it cannot guarantee that future labor disturbance or failure to retain personnel will not have an adverse effect on its operations and, potentially, on its business, results of operations and financial condition.

Changes in the assumptions used to determine the carrying amount of certain assets, especially assumptions resulting from an unfavorable market environment, could result in the impairment of these assets, in particular intangible assets such as goodwill.

At each reporting date, the Numericable Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill, which is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit). If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the income statement.

Goodwill represents the excess of the amounts the Numericable Group paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. Goodwill has been allocated at the level of the B2C and B2B segments (cash generating units). Goodwill is tested for impairment annually, or when changes in the circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the cash generating units are determined on the basis of value in use calculations, which depend on certain key assumptions, including management's projections of subscribers, revenue, costs, and capital expenditures (including the level of upgraded network infrastructure) over a period of five years. If management's projections change, the estimate of the recoverable amount of goodwill or the asset could fall significantly and result in impairment. While impairment does not affect reported cash flows, the decrease of the estimated recoverable amount and the related non-cash charge in the income statement could have a material adverse effect on the Numericable Group's results of operations, met equity or financial condition. As of December 31, 2013, substantial amounts of goodwill and other intangible assets were recorded on the Numericable Group's consolidated balance sheet (€1.484 million of goodwill and €307 million of other intangibles as of December 31, 2013). Although no goodwill impairments were recorded in 2011, 2012 and 2013, no assurance can be given as to the absence of significant impairment charges in the future, especially if market conditions were to deteriorate. See Notes 3 and 15 to the Group's consolidated annual financial statements as of and for the year ended December 31, 2013 included elsewhere in this offering memorandum.

The loss of certain key personnel and executives could harm the Numericable Group's business.

The Numericable Group benefits from the services of experienced employees at both the corporate and operational levels who possess substantial knowledge of its business, in particular members of the executive committee that have directed the Numericable Group for several years, and in the B2B segment, where installations are complex and the customer relationship is key. No assurance can be given that the Numericable Group will be successful in retaining their services or that it would be successful in hiring and training suitable replacements without undue cost or delay. As a result, the loss of any of these key employees could cause significant disruptions in the Numericable Group's business operations, which could materially adversely affect its results of operations. For example, in 2012, the Numericable 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.

Regulatory and Legal Risks Relating to the Numericable Group

The legal status of the Numericable Group's network is complex and, in some instances, subject to renewal or challenge.

The Numericable Group's telecommunications network is essentially composed of the physical infrastructure (ducts, head-ends and switches) into which the telecommunications equipment (predominantly the cables) is placed. These components of the Numericable Group's network are governed by several different legal frameworks. Because the Numericable Group's physical infrastructure is not built on its own premises (but on public land and private property), the Numericable Group has entered into concession, easement, lease or IRU (indefeasible right of use) agreements with landlords. The Numericable Group has also in certain cases leased telecommunications equipment from third parties.

Networks using Orange Ducts

Orange has granted the Numericable Group several IRUs on its infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to the Numericable Group for terms of 20 years each, and the renewal of the first of these will have to be negotiated between the parties in 2019. The Numericable Group cannot guarantee that these IRUs will be renewed or that they will be renewed on commercially acceptable terms. If Orange were not to renew such IRUs, the Numericable Group would need to require Orange to make the ducts available to it pursuant to applicable regulation, which could, however, result in different financial terms. For a description of the Numericable Group's IRU agreements with Orange, see ''*Business—Material Contracts—Infrastructure and Network Agreements—Agreements Relating to the Installation and Operation of the Cable Network—Orange IRUs*.'' The network using the ducts of Orange represents 55% of the Numericable Group's overall network. Orange could also grant IRUs on its infrastructure to some of the Numericable Group's competitors, increasing the competitive pressure on the Group's markets (see ''*—The Numericable Group operates in a competitive industry, and competitive pressures could have a material adverse effect on its business.*'') and tighten the procedures set forth by Orange to operate on its infrastructure.

New Deal Plan Networks

The Numericable Group was also granted certain rights of use and operating concessions under the Plan Nouvelle Donne (the ''New Deal Plan'') (law of September 30, 1986 relating to freedom of communication). The networks belonging to the New Deal Plan represent approximately 38% of the Numericable Group's overall network. There is currently no form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty as to the network ownership under certain long-term agreements entered into with local authorities, especially when these agreements contain a clause providing for the return of the assets used to carry out the public services to the local authority (*biens de retour*). The Numericable Group has entered into approximately 500 contracts for New Deal Plan networks.

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, ''2002 Telecom Package'' (the ''*Paquet Télécoms 2002*'') into French law, imposed the termination of exclusive rights over the installation and/or operation of networks contained in these agreements.

In order to clarify such termination of exclusive rights over the installation and/or operation of networks in the agreements currently in place with public authorities (primarily local authorities), in May 2010, the Group made a proposal to the ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to the Numericable Group through a transfer process.

This approach led to the conclusion of transactional agreements that are in line with the above-mentioned requirement (i) containing the aforementioned provisions and (ii) including a right to the use of public land (*convention d'occupation du domaine public*), comprising a nonexclusive right for the Numericable Group to use the ducts which had become the property of the local authorities on the terms of such new agreement, with the Numericable Group's own telecommunications equipment. One of the key features of these agreements is the Numericable Group's right to use the ducts on a nonexclusive basis and its competitors' ability to install their own equipment in such ducts.

These new agreements, while in line with the approach acknowledged by the ARCEP, could be challenged based on certain of their terms.

While the Numericable Group has signed nearly 80 agreements, 25 of which follow the approach acknowledged by the ARCEP, with various local authorities, no assurance can be given that the Numericable Group will be able to implement this type of agreement across all concerned localities. The Numericable Group is currently negotiating the implementation of its proposal with certain local authorities. If the Numericable Group is unable to negotiate such agreements with local authorities, the non-renegotiated terms of the agreements in place would continue to apply and the Numericable Group may be subject to claims or proceedings by local authorities, its competitors, and national and/or European administrative authorities. Furthermore, upon expiration of the existing agreements, which include the concept of *biens de retour* (approximately half of the Numericable Group's New Deal Plan contracts), that are not renegotiated or extended, the local authority would receive ownership of whole or part of the network, for free or in exchange for payment, according to the terms of the agreement in question. In order to continue operating in this zone, the Numericable Group would need to either install all or part of a new network in the local authorities' infrastructure that would have been qualified as *biens de retour*, through the payment of fees to the local authorities or through leasing the network of another operator or the network which would have been thus transferred to such local authority.

In addition, the conditions under which the Numericable Group renegotiated some of these agreements during the 2003 to 2006 period, on a basis different from that than those acknowledged by the ARCEP in 2010, led the European Commission, on July 17, 2013, to announce that it had opened an in-depth inquiry into whether the transfer of certain public cable infrastructure during such period by several French local authorities to Numericable was in accordance with European competition laws on State aid. The European Commission, in the context of announcing the opening of such an inquiry, noted that it believed the transfer of public goods to a private enterprise, without requiring appropriate compensation, provided such enterprise with an economic advantage from which its competitors did not benefit and thus constituted state aid under the rules of the European Union, and that the free transfer of cable networks and ducts to Numericable operated by 33 French municipalities, according to its own estimates, conferred such an advantage and thus constituted state aid. At this stage, the European Commission has expressed doubts as to whether this alleged aid could be considered compatible with the European Union rules. The European Commission decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, certain third parties and the parties to the proceedings have continued to submit comments as to the existence of state aid and the extent thereof. The Numericable Group firmly contests the existence of any state aid.

Other Networks

A limited portion of the Numericable Group's current network (7%) is governed by agreements such as long-term leases of public property, *conventions d'affermage* (i.e., a type of operating concession through which the Numericable Group leases an entire network) or public land use agreements (*convention d'occupation du domaine public*), through which the Numericable Group installs the necessary network equipment on public property with no underlying property transfer).

These agreements are entered into with local authorities, primarily municipalities, for terms from ten to 30 years. In accordance with the terms of articles L. 2122-2 and L. 2122-3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon expiration of these agreements, the Numericable Group must, in accordance with its contractual terms, (i) return the entire network to local authorities, in some cases in return for the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove the entire network, at its own expense or at the expense of the local authorities, (iii) transfer the network to other operators, with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of the Numericable Group's own network on public land.

If the Numericable Group loses its status as an operator on part of its network, if it is unable to operate it under favorable commercial or operational terms or if it is obligated to grant access to its network to competitors on unsatisfactory economic terms, there may be a material adverse effect on its business, results of operations and financial condition.

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

The Numericable Group is party, in the ordinary course of business, to litigation and other legal proceedings, including regulatory and administrative proceedings, and may in the course of such proceedings be the subject of claims and audits. Certain of the proceedings against the Numericable Group may involve claims for substantial amounts and require a substantial amount of the Numericable Group's management's time, diverting such management's attention from day-to-day business operations. Proceedings may result in substantial monetary damages and/or damage to the Numericable Group's reputation, which could result in decreased demand for the Group's services, all of which could have a material adverse effect on its business. The outcome of such proceedings or claims could have a material adverse effect on its financial condition, results of operations or cash flows in the period in which the impact of such matters is determined or paid.

The Numericable Group is currently involved in certain legal proceedings and claims referred to in ''*Business—Legal Proceedings.*'' Any increase in the frequency or size of these claims may adversely impact the Numericable Group's profitability and cash flow and have a material adverse effect on its business, results of operations and financial condition.

The Numericable Group's future results, French tax law, tax audits or litigation and the reorganization prior to the initial public offering of Numericable Group may limit the Numericable Group's capacity to use its tax losses, and thus reduce its net cash flows.

The Numericable Group has significant tax loss carry forwards (as described in Note 11.4 to the Numericable Group's combined financial statements for the fiscal years ended December 31, 2011 and 2012 and Note 12.4 to the consolidated financial statements for the fiscal year ended December 31, 2013 included elsewhere in this offering memorandum).

The ability to use such tax loss carry-forwards depends on a variety of factors, including (i) taxable profit and the difference between the amount of such profits and that of tax losses, (ii) the general limitation under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding €1 million is limited to 50% in respect of fiscal years ending on or after December 31, 2012, as well as certain specific restrictions on the use of such tax loss carry-forwards, (iii) the outcome of present and future tax audits and litigations, (iv) the consequences of the reorganization prior to the public offering of the Group and of any subsequent intra-group reorganizations, and (v) potential changes in applicable laws and regulations. For more information, see ''*Management's Discussion and Condition and Results of Operations of the Numericable Group—Key Income Statement Items—Income Tax Expense*''.

The impact of such factors could increase the Numericable Group's tax burden and therefore negatively impact its cash position, its effective tax rate, its financial condition and its results of operations.

Risks Relating to SFR's Industry and Markets

SFR is subject to strong competitive pressures.

Following the consummation of the Acquisition, the Numericable Group will cease to be a competitor of SFR.

The French telecommunications market is intensely competitive, saturated and mature. Nationally, SFR competes with the other telecommunications operators such as Orange, Bouygues Telecom and the Iliad group, which operates under its ''Free'' brand, with Numericable in the fixed-line market and the MVNOs in the mobile market. SFR also competes with new operators in specific areas, such as service or content providers, search engines, instant messaging services, VoIP services and terminal and OS providers. Furthermore, consolidation in the Internet and mobile telephony markets in France and in Europe, respectively, and the possible market entry of foreign operators in France, could significantly alter the telecommunications market and SFR may not be able to compete with these new operators, particularly those with significant financial and technical resources.

Mobile Market. Competition in the mobile market is strong and may increase particularly as to price, since the entry by Free in early 2012 with a low-priced unlimited calling package. Increased price pressures in the past have led to a decrease in SFR's ARPU and an increase in its customer churn rates. As a result, SFR has had to modify its pricing structure on many occasions. In particular, the mobile telephony market is currently undergoing a transformation in France, with the continuing launch of new 4G services, a price war between competitors (especially after the launch of 4G offers at prices that match the 3G offers of Free and B&You) and bundled packages no longer including subsidized handsets, and the development of ''no-frills'' brands. Continuous improvement in the quality and service provided by its competitors is expected to put further pressure on SFR to provide compatible products and services to its current and future customers as the evolution of new offers and their impact on consumer behavior could have a negative impact on the SFR, in particular on the attractiveness of its products. If SFR is unable to successfully manage its mobile churn or otherwise loses mobile subscribers, SFR may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows.

B2B Market. Competition in the B2B market is strong and may increase. Numerous offers relating to the integration of an increasing number of services, particularly IT, and the complexity of the services being offered (data, security) are increasing. Furthermore, SFR also faces competition from other operators such as infrastructure providers, IT network solution providers and software providers.

The measures adopted by SFR to improve to competitive pressures by improving its products and services may not be sufficient to successfully compete with the products and services offered by its competitors. Such competitive pressures may have a significant negative impact on its activities, its financial situation, its results of operations or its future opportunities.

The entry of new operators in the telecommunications market may affect SFR's position.

The development of new telecommunications services and new technologies has promoted the emergence of new operators, such as the entry by Free in the French Market in early 2012, service or content providers on the telecommunications market, such as search engines, instant messaging services, VoIP (Voice over Internet Protocol) and terminal and OS (Operating System) providers. These services already compete and are likely to compete increasingly with the offers of telecommunications operators. These new operators may succeed in providing alternative products and services that are superior to the ones currently being offered by SFR, thereby exposing SFR to the risk of losing customers, in an environment where such relationships generate value. Furthermore, these service or content providers could in fact offer their services directly to end consumers and only use the telecommunications operators to gain access to end users. SFR and other telecommunications operators would therefore be at risk of no longer being the direct interface with customers and merely becoming service providers.

Furthermore, the principle of net neutrality requires the equal treatment of all data flows on the Internet, and prohibits any telecommunications operator from blocking or restricting Internet content. Accordingly, SFR must ensure unhindered flow of content, applications or services provided to end users by these new operators. The corresponding flows have an impact on the speed and capacity of the networks made available by SFR, while SFR is unable to benefit from the value created or associated where applicable, with such content, applications or services. SFR can only bill its customers for the network it provides and not for the connected services they use. Therefore, SFR could also be forced to make significant investments in order to handle ever increasing data flows and demand for bandwith by its customers. The investments made, however, might not be sufficient to maintain the quality and capacity of SFR's network.

Consequently, even if SFR continues to build and maintain the quality of its customer relationships and develop offers integrating new services or products, the entry of new operators could affect the positioning of SFR in the value chain. SFR could therefore be faced with the loss of market share (in both the mass and specialist markets in which it operates) and/or the loss of part of the value created by the services and content to the profit of these new operators. This could have a material adverse effect on the business, the financial conditions, the results of operations or the prospects of SFR.

SFR might not be able to anticipate, identify and offer products and services that are differentiated in the market.

The telecommunications market is characterized notably by rapid changes in technology, services and functionalities, the frequency at which new products are introduced, and the implementation of new sector standards and practices rendering the existing technologies and systems obsolete. SFR must therefore be able to ensure that the measures it takes are in line with rapid changes to technology, consumer habits and the demand of its customers. In particular, in the absence of dedicated research and development activities for certain products, services and technologies, SFR must maintain the ability to identify, aggregate and offer innovative products and services that are differentiated in the market, vis-à-vis its competitors, particularly by promoting the quality of the services associated with its offers. Integrating these innovations is essential to ensuring it can continue to compete with its competitors. SFR cannot, however, ensure that it will be able to anticipate and identify the products and services that meet the expectations of its customers or prospective customers, or that it will be successful in adapting its existing products and services to the new technologies. SFR might not manage to market these products and services within the necessary timeframes. Moreover, SFR could incur substantial costs in renewing or promoting its product and service offering. Furthermore, SFR may not be able to ensure that the product offers and service functionalities developed will be met with the predicted success or enable SFR to achieve its objectives. Additionally, the offers proposed by other operators which may not subject to the same regulatory constraints as telecommunications operators, due to the sectors in which they primarily operate or the location from which they operate their businesses, such as OTT (over-the-top) content providers, could disrupt the competitive environment, and particularly the market position of operators such as SFR.

SFR may therefore struggle to provide products and services that set it apart from its competitors which may result in a decline in its current market position with the increase of providers with low-added-value services. These developments could have a material adverse effect on the business, the financial conditions, and its results of operations.

SFR might not be able to adapt or develop its business strategy.

Telecommunications operators operate in a market that is affected by economic, competitive and regulatory instability.

In January 2012, the entry of a fourth operator on the mobile telephony market, the Iliad group through its ''Free'' brand, significantly disrupted the telecommunications sector in France, intensifying price competition. The telecommunications sector, and more particularly the mobile telephony market, has therefore experienced profound changes as a result of the development of low-price offers by all operators in France and changes to tariff plans such as plans without discounted terminals and range of bundled offers (triple-play and quadruple-play). This has had an impact on SFR's revenues and EBITDA, which has notably experienced a decline in its B2C business between 2012 and 2013. For further information, see ''*Management's Discussion and Analyses of Financial Conditions and Results of Operations of SFR—B2C*''.

To mitigate the risk to its business, SFR aims to implement certain measures as part of its transformation plan, which aims to develop its economic model in order to account for market changes, such as developing specific tariff policies, adapting its cost structures, rationalizing its operational organization and by adapting its commercial strategy. If the measures SFR is implementing do not in fact match actual consumer demands, expectations or habits, this would have an adverse effect on the returns on investments made, financial targets, market share and revenues. Consequently, any development of SFR's business strategy which is not sufficiently adapted to actual trends and consumer demands, expectations and habits in the telecommunications market could have a material adverse effect on its business, financial condition, and its results of operations.

SFR might not be able to identify, develop and profit from new markets.

In France, the Internet access and telephony markets are mature markets in which the growth of user numbers is limited. New markets using the technologies of SFR could, however, be developed in certain specialist sectors of activity or for certain products. As of the date of this offering memorandum, these new activities include the development of cloud computing, machine to machine, contactless services (using the NFC technology, for example) and ''connected devices'', which are pieces of equipment that can be connected to the Internet. The research and development of these activities could, however, prove to be difficult or unsuccessful. SFR might therefore be compelled to incur substantial development, marketing and customer service costs, with no guarantee of profits or the success of the new activities developed. The growth of SFR's business will depend, among other things, on its ability to identify and develop new activities and services, allowing it to adapt to the rapid changes taking place in the telecommunications sector.

If SFR is unable to develop new activities enabling it to increase its revenues, or if the new activities developed are unprofitable, this could have a material adverse effect on its activities, financial situation and results of operations.

SFR's revenue and EBITDA have decreased historically over the past three years and SFR may be unable to prevent any future decline.

SFR's revenue has decreased from €12,183 million in 2011 to €11,288 million in 2012 and to €10,199 million in 2013. Furthermore, SFR's EBITDA decreased from €3,800 million in 2011 to €3,299 million in 2012 and to €2,766 million in 2013 (in each case without an add back for CVAE). SFR believes that the decreases in revenue are caused by decreases in mobile prices due to a competitive marketplace and lower tariffs imposed by ARCEP. SFR further believes that the decreases in EBITDA reflect the company's declining revenues, which have not been fully offset by decreased costs. Though SFR began a transformative plan in order to adapt its organization to market developments in 2012 and 2013, we expect that SFR's EBITDA will continue to decline in 2014 and there is no assurance that revenue or EBITBA will cease to decline in future periods. Adverse economic developments may occur, price competition may continue and even intensify and regulators may continue to impose lower tariffs each of which could have a material adverse effect on the activities, financial situation and the results of operations of SFR.

Risks Relating to SFR's Business and Operations

SFR is exposed to the risk of disturbances in telecommunications networks and/or information systems.

The reliability of the networks and information systems, particularly for mobile telephony and fixed-line activities, as well as the quality of the networks and information systems (service quality and availability) represent critical elements for the activities of SFR, the continuity of its services and the confidence of its customers. In particular, we depend heavily on the information systems used by the SFR store network, website and customer services information, which are used for product and service sales and subscriptions and the management of customer accounts. If these systems were temporarily unavailable, this could significantly disrupt the business activities of SFR.

Furthermore, SFR's current technical projects relating to both the information systems and the short- and medium-term migration plans involving certain mobile network equipment could be exposed to faults on the networks and information systems. In particular, the quality of the networks could be affected by the deployment of SFR's 4G network as well as by the continuous maintenance of its 2G and 3G networks, requiring frequent technical interventions, which could lead to service interruptions or faults affecting SFR's customers. Also, telecommunications infrastructures and the physical security of the sites are vulnerable to possible natural disasters or other similar events (bad weather, floods, fire, power outages, earthquakes, acts of terrorism, vandalism, etc.), which could cause substantial destruction to SFR's technical sites including significant cost implications for SFR. Furthermore, the damage caused by these disasters could have long-term adverse consequences. Such damages might lead to significant cost implications for SFR. The networks and information systems might also be subject to security issues created by external attacks, intrusions, denial of service attacks, (where large query volumes are sent with the aim of saturating the network), and/or malicious acts which could cause service interruptions or faults.

Additionally, SFR could also be exposed to financial penalties under the contracts it has with its B2C, B2B and wholesale customers if it breaches its contractual obligations particularly with regards to the quality of the services provided. Moreover, the development of resources used by consumers (e.g., videoconferences, telepresence and cloud computing for B2B customers), connected devices and new terminals (smartphones, tablets, etc.) could lead to network saturation due to the large data volumes they may generate or attract.

Although SFR has strengthened its IT backup systems and implemented a global protection and monitoring plan, to ensure that the vital functions of the information systems were effectively controlled and backed up, there can be no assurance that these backup systems will be able to cover all the information SFR uses and stores or perform as expected. Network or information system faults linked to the occurrence of the events described above could lead to quality deficiencies or service interruptions for some, or even all, customers of SFR, more particularly for certain businesses for which the service provided is of strategic importance. This could affect SFR's reputation and have direct or indirect unfavorable financial consequences and lead to a material adverse effect on SFR's business, financial condition and the results of operations.

The business activities of SFR depend on its ability to maintain the quality of the products and services it provides.

The continuous technological developments of telecommunications products and services requires SFR to integrate new technologies which could subsequently prove to be difficult to implement. This could have a negative impact on the quality of the products and services of SFR. Failure to implement these integrated technologies or any faults affecting SFR's products or services could damage its reputation and lead to an increase in customer service costs, costs relating to the replacement and elimination of faulty products and a loss in revenues, which could be significant if there is a loss of consumer confidence. SFR might also be unable to adapt to existing or new technologies in order to meet the needs of its customers within an appropriate timeframe.

Although SFR intends to continue to offer high-quality customer service, maintaining this quality level could require substantial investments and SFR cannot ensure that it will succeed in maintaining a satisfactory level of quality, particularly if it uses third-party providers. Any customer dissatisfaction could affect its reputation or lead to loss of market share.

Failure by SFR to maintain or protect its image, reputation and brand could materially affect its business.

Furthermore, should all or some of the risks described above materialize, this could have a material adverse effect on SFR's business, financial condition and results of operations.

The business activities of SFR involve substantial capital expenditure.

The business activities of SFR require substantial levels of capital expenditure relating to maintenance, modernization and development of its network, which are all business critical elements of SFR's growth.

Furthermore, SFR incurs substantial capital expenditure in relation to the deployment of new technologies and will continue to make substantial investments in order to develop these new technologies, including 4G (for the purchase of frequencies) and fiber (for the deployment of the infrastructure). Furthermore, SFR is obliged to respect certain network coverage and deployment commitments under its mobile licences, which also requires it to make substantial and continuous investments. SFR may also acquire new frequencies granted by ARCEP as well as local public authorities in the future, in particular 700 MHz frequencies, in order to improve the quality of its mobile telephony offers and maintain its competitive position. Such frequencies are often auctioned and can be expensive to obtain, due in part to the fact that spectrum availability is limited. In view of the development of the market and relevant technologies, as well as the development of frequency offers, SFR may have to incur significant additional costs and capital expenditure before achieving a return on previous investment. If market demand for these services decreases, it may also limit SFR's ability to recoup our investment in new frequencies, network and infrastructure. See ''*Business, Market Overview and Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR*''.

Furthermore high broadband usages and the use of new applications may increase bandwidth requirements, which could lead to network saturation and force telecommunications operators to make significant investments to increase their infrastructure capacity. The structure of the French telecommunications market does not allow telecommunications operators to pass their investment costs and capital expenditures to the end consumer in proportion to the data volume consumed. Thus, telecommunications operators might not benefit from the revenues drawn from increasing demand for content, although they bear the costs of this demand through their infrastructure investments.

SFR also has certain network sharing obligations, notably for its mobile licences, such as the hosting of roaming services or network sharing in certain deployment areas. The conditions for implementing these obligations and certain tariffs, such as roaming tariffs within the European Union, are regulated. SFR may therefore not be able to operate its network in economically advantageous conditions, which could affect the profitability of its investments.

The lack of margins and sufficient resources or self-financing capacity on acceptable terms, could have a negative impact on the ability of SFR to maintain the quality of its network, its products and its services, and on its ability to deploy and extend its network coverage. This might adversely impact the competitive position of SFR in the French market and its long-term growth. Moreover, SFR cannot ensure that the investments made, particularly in 4G or fiber, will be profitable and/or that the associated services will be met with the anticipated commercial success.

The deployment of a fiber network is subject to different constraints which might affect the development of the business activities of SFR.

Following the consummation of the Transactions as contemplated in this offering memorandum, the Combined Group will include the Numericable Group's operations, which include operating a leading fiber network in France and therefore, we expect this risk not to apply to the Combined Group's operations.

SFR has chosen to deploy a fiber network. The ability of SFR to deploy a fiber network is conditional upon following an approval process involving various preliminary stages (consisting notably of consultation with the councils and residents, prior information obligations and obtaining administrative authorisations). This deployment also involves certain maintenance activities that are outsourced to external providers. The deployment of the fiber network could therefore be affected by delays in obtaining the necessary authorisations, the completion of certain works or the occurrence of possible operational problems.

Furthermore, the deployment of FTTH is conditional upon the observance of certain regulations and decisions of the French regulator ARCEP, notably decision no. 2009-1106 of December 22, 2009, specifying the terms and conditions for accessing ultra-fast broadband optical fiber electronic communications lines and the instances in which the concentration point can be located on private property. SFR must therefore establish concentration points to allow the access of third-party operators to the fiber network and provide this access under reasonable and non-discriminatory conditions. Access to the lines must be accompanied by the provision of the corresponding resources required, which notably include information concerning the concentration point. If these measures are not observed, SFR could be in breach of its regulatory obligations and be at risk of penalties (pecuniary penalties, total or partial suspension or revocation of licence).

Moreover, the deployment of a fiber network in moderately dense areas involves implementing a specific and new technology and requires the development of specific skills within SFR, notably in the local loop operator area. Although SFR has implemented training programs in order to support its employees who operate in this new business area such training is time-intensive and costly, and there is no guarantee we will be able to retain these employees once they have completed their training.

The possible broadening of the regulatory conditions for operating the VDSL2 technology, which is currently restricted to a limited number of areas, could obstruct the development and marketing of fiber. This technology can offer high speed services for investment costs far lower than those of fiber, particularly in residential areas. The easier deployment of VDSL2 compared with this of fiber, and the high speeds offered, could lead customers to prefer VDSL2 over fiber, which could affect the profitability of the investments made by SFR in deploying a fiber network and its market share.

The occurrence of any or all these risks linked to the deployment of a fiber network could have a material adverse effect on SFR's business, financial condition and results of operations.

SFR's relations with its employees could be affected by changes in the competitive landscape.

SFR operates in highly competitive and changing markets, which requires it to constantly adapt, anticipate and adopt new measures in order to preserve its competitiveness and efficiency. This leads to regular changes to its organizations, which require the employees concerned to adapt. This process requires the ability to mobilize skills and to motivate and align the teams to these objectives. As a result, the activities of SFR could be affected by a deterioration in industrial relations with the employees, staff representative bodies or the unions. The ability of SFR to maintain good relations with its employees, staff representative bodies and unions governs the success of its various projects. Therefore, SFR will continuously have to consult with its staff representatives in order to ensure the success of its current and future projects. This could slow down the completion of certain operations. Furthermore, the contemplated decisions could be badly received by the employees, and lead to a deterioration in industrial relations, which could, in turn, lead to declines in productivity, possible industrial disputes (e.g., work stoppages, disruptions), and could have a material adverse effect on SFR's business, financial condition and results of operations.

SFR is dependent on its providers and suppliers for certain key functions, products and services.

SFR outsources certain services to external operators (other telecommunications operators, providers, sub-contractors, commercial partners, etc.). For example, SFR has outsourced certain IT services that are necessary for SFR to provide the services offered to its customers. SFR therefore relies on third-party providers to supervise a number of its infrastructures, develop IT solutions, or supply, install and maintain the equipment installed in the homes of individuals and on the premises of business customers. SFR also relies on a number of different suppliers for the products integrated into its offers or for the hardware and software it uses. Furthermore, SFR uses content providers (producers of channels or packages) for its triple-play and quadruple-play offers.

SFR has implemented a multi-sourcing purchase policy for certain products and services and monitors the relevance of the providers in the production chain. Although we believe that SFR is generally capable of changing providers, and uses standardized and interchangeable products. SFR prefers to maintain a single-source policy for certain types of telecommunications equipment, in particular, concerning the core network, based on geographic area and type of equipment. Although the products and services are standardized and interchangeable, a shortage of certain components on the market or a significant rise in their prices could have a material adverse effect on SFR's business, financial condition and results of operations. Moreover, SFR can, for certain highly specific products or services, become highly dependent on certain providers. SFR considers itself to be in a situation of commercial dependency on one terminal supplier. Consequently, any significant increase in the price of the products concerned, or any deterioration or change in relations with this supplier, could have a material adverse effect on SFR's business, financial condition and results of operations.

Certain contracts also stipulate minimum order quantities, which SFR might not be able to fulfil in case of decline in consumer demand. Furthermore, the activities of SFR could experience a decline due to industrial action taken by the employees of its providers. The involvement of external operators could also cause problems linked to the identification and sharing of responsibilities between SFR and its providers. SFR may also be unable to release itself from its contractual obligations, which could pose an obstacle to its objectives of rationalising its contractual relations, reviewing its commercial strategy and possibly reducing its purchase volumes, aimed at optimising conditions for the performance of contracts and redefining the requirements and margins for SFR vis-à-vis its providers. While the majority of the contracts entered into with the service providers contain clauses protecting the interests of SFR in the event of the non-renewal of their contracts with SFR or the breach of the obligations of the third-party providers to provide the products or services, SFR could face certain difficulties if it is unable to resolve the situation quickly, particularly if these events were to cause disruptions or risk the business continuity of SFR. SFR could also be called upon to deal with problems linked to providers or sub-contractors in difficulty (state of cessation of payments, for example).

The occurrence of any or all of these risks could damage SFR's relations with its customers, lead to the loss of part of its customer base and damage the image and reputation of SFR which in turn could have a material adverse effect on SFR's activities, financial situation and results of operations.

SFR is dependent on its relations with the MNVOs.

Apart from the current network operators in France, MVNOs also operate on the mobile telephony market. The provision of end-to-end mobile services for the MNVOs is a considerable financial and commercial challenge for SFR, which hosts a number of MVNOs on its network. The level of competition in these services has intensified over recent years. Furthermore, the MVNO wholesale market has changed, especially with the introduction of the status of a ''Full MVNO'' which allows virtual operators to issue their own SIM cards, and have a central database managing subscriber rights and certain core network elements. Moreover, consolidation operations on the MVNO market, notably MVNO acquisitions by telecommunications operators, could significantly affect the MVNO wholesale market and the market share of SFR.

A significant portion of SFR's revenue is generated from contracts with MVNOs. SFR's ability to renew its existing contracts with these MVNOs or enter into new contractual relationships, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond SFR's control. If SFR is unable to maintain or renew relations with its MVNOs, or develop business relationships with them, it could lead to the loss of market share and have a material adverse effect on its activities, financial situation and results of operations.

SFR depends on its key employees and managers.

SFR depends on the contribution and expertise of its managers, particularly the members of the company's executive committee. Furthermore, certain experienced employees might have in-depth knowledge of the activity and business areas of SFR. The loss of key employees of SFR could lead to the loss of technical skills, which might slow down or alter certain activities. Additionally, SFR has not implemented a ''key person'' insurance policy. Moreover, SFR would need to recruit new qualified employees to develop its activities and, if necessary, train them in order to familiarize them with the specific constraints of SFR. If SFR is unable to retain its key employees and managers or attract new employees and train them, this might have an effect on achieving certain business objectives, and therefore have a material adverse effect on its activities, financial situation and results of operations of SFR.

SFR could be exposed to risks within the scope of carrying out external growth operations.

SFR might have to carry out targeted acquisitions in order to allow it to access certain services or technologies, however it might not be able to identify the appropriate companies, carry out the acquisitions in satisfactory conditions or ensure compliance with the provisions of the acquisition agreements. Furthermore, if SFR cannot guarantee the integration of the acquired companies in accordance with the anticipated timetable, it could encounter problems retaining the key skills identified during the acquisition process, or realizing the anticipated synergies within the planned timeframes. SFR could also bear costs or liabilities not disclosed or discovered during the acquisition and due diligence process, and integration costs could prove higher than initially envisaged. Moreover, the telecommunications sector could experience consolidation phases, which would reduce external growth opportunities for SFR if it decided it was unable to position itself in these consolidation operations.

The occurrence of just one of the risks mentioned above could have a significant negative impact on SFR's activities, financial situation and results of operations.

Regulatory and Legal Risks of SFR

SFR might not be able to obtain, maintain or renew the licenses and permits needed to carry out its activities.

Some of the activities of SFR depend on obtaining or renewing licenses issued by the regulatory authorities, more specifically ARCEP for telecommunications, and the French regulator of the audiovisual industry (CSA) for the audiovisual sector.

The procedure for obtaining or renewing these licenses can be long, costly and complicated. In addition, these licenses may not be obtained or renewed. If SFR was not able to obtain in a timely fashion or keep the licenses needed to carry out, continue or develop its activities, it could become unable to realize these strategic aims.

The acquisition of licenses, furthermore, represents a high cost with a time scale that varies according to the auctions of the frequencies in question. This cost could be even greater due to the strong competitive pressure in the telecommunications field. Thus, an auction of the 700 MHz frequency band which would be open to telecom operators would be likely to generate significant expenses for SFR. The timetable for such an auction occurring has not been announced. Furthermore, SFR might not be assigned the required user licences, which could have a significant unfavorable effect on the activities, the financial situation, the results or the prospects of SFR.

Moreover, within the context of the licenses allocated to the companies in SFR, the companies have committed themselves to comply with certain obligations (population coverage, sharing in certain areas, national roaming). SFR is thus obliged to deploy a third (3G) and fourth (4G) generation radio network complying with specific coverage rates of the urban population. Within the context of its fourth generation (4G) licenses, under certain conditions that SFR may eventually have to allow Free Mobile roaming on part of its 4G network. SFR must furthermore, jointly with the other 800 MHz band license holders, and within the context of its 2G license, cover the town centers identified under the ‘‘white spots’’ program and accede to reasonable demands for sharing in priority deployment areas. SFR will also have to accede to reasonable demands to host MVNOs on all its very high speed mobile networks open to the public in urban France. The lack of compliance with any one of these commitments could put SFR at risk with regard to its regulatory obligations and possibly open it up to sanctions (fines, total or partial suspension or withdrawal of license). This could have a significant unfavorable effect on its activity, its financial situation, its results or its prospects.

The legal status of SFR's network is complex and the network is primarily governed by public law, which could affect the stability of the rights of SFR.

SFR's telecommunications network is essentially made up of physical infrastructure (lines, network headends, switches and radio stations) in which the telecommunications equipment (mainly cables) is installed. These components of SFR's network are subject to different legal systems. Since SFR is only the owner of some of the sites hosting the physical infrastructure, if the infrastructure is on public land or on private property, concessions, easements, leases or even indefeasible rights of use (‘‘IRU’’) have been agreed on with the owners of the sites.

For the establishment of a significant part of its telecommunications and terrestrial networks, SFR has concluded agreements with public corporations for the occupancy of public land or is the holder of permits for the occupancy of public land. By virtue of such agreements or permits, SFR may install the equipment for its network along roads, motorways, railways or canals, for example. No transfer of property takes place in this context.

These agreements have been concluded for very different timeframes, varying from 3 to 25 years, with the agreements for the shortest time generally envisaging tacit renewal. Occupancy of public land by SFR is, as for all the occupants of public land, always precarious. The public corporations with which SFR has made these agreements or which have allocated these permits may terminate these agreements for occupancy of public land at any time due to default or for a motive of public interest, with some agreements furthermore excluding any compensation in this case.

SFR does not have a right to the renewal of these agreements. If SFR was not able to obtain renewal, the company in question would have the obligation, upon the expiry of these agreements, (i) to restore the site to its original state on the request of the manager or the owner of the public land in question and

(ii) to transfer, in consideration of payment of compensation in certain cases or free of charge in other cases, the property of the installations set up on the land in question.

If SFR were to lose some or all of the rights relating to its network, this could have a significant unfavorable effect on the activities, the financial situation, the results or the prospects of SFR.

The business activities of SFR depend in part on SFR's ability to set up and maintain partnerships with other players in the telecommunications sector that it does not control.

The development of the business activities of SFR and their success depends on various factors including the setting up and maintenance of partnerships with other players in the telecommunications sector that SFR does not control.

Sharing agreement between Bouygues Telecom and SFR

On January 31, 2014, Bouygues Telecom and SFR concluded an agreement to share part of their mobile networks. The aim of this agreement was to allow both operators to offer their respective customers better geographic coverage and a better quality of service whilst optimizing the costs and investments used for this purpose.

SFR could be exposed to various risks associated with the implementation of the sharing agreement. The agreement organizes the deployment of the shared network between the two operators. Any delay in its implementation could affect SFR's ability to reach the above-mentioned objectives of geographic coverage and quality of service. The implementation of the partnership will furthermore require considerable investment expense, which should lead to the finalization of the target network by the end of 2017.

SFR will be dependent on Bouygues Telecom for the part of the network it will be responsible for operating. In particular, it will not have any direct operational control on the part of the network managed by Bouygues Telecom which will be shared. SFR will not therefore be able to control the quality of the network provided to the customers in question or to control the implementation of works or corrective measures that may be necessary in the event of a failure. Furthermore, SFR will be exposed to the risk of default of Bouygues Telecom.

The partnership could also not produce the expected synergies, especially in terms of geographic coverage and quality of service.

In the event of a failure and/or a total or partial interruption of the partnership, SFR would have to redeploy a network in the areas that had previously been covered by the sharing agreement in order to maintain its geographic coverage and the quality of its services. Such redeployment could involve considerable cost for SFR. Furthermore, in such a scenario, SFR might not be able to guarantee that it would be able to provide the same level of coverage that its customers had enjoyed under the sharing agreement.

The competent authorities could, in the future, make decisions that would call into question the overall savings of the sharing agreement.

Lastly, third parties could also try to again access to the shared network and act against SFR and its partner.

Agreement for the deployment of fiber in average densely populated areas between SFR and Orange

On November 14, 2011, SFR concluded a co-investment agreement with Orange relating to the deployment of FTTH optical fiber for the coverage of less densely populated areas (ZMD) of urban France.

SFR has to provide or co-finance the coverage of 9.8 million homes under this agreement. In order to avoid overlapping, for each municipality the agreement designates the operator that is in charge of deployment, which must then allow the other operator to access its network. This agreement thus envisages that, by 2020, SFR will deploy optical fiber (FTTH) to 2.3 million homes, and Orange to 7.5 million homes. Each will become a customer of the other on the operators market, by subscribing IRUs in the areas where they themselves will not be deploying the optical fiber.

SFR has announced that it will be starting all deployments on the less densely populated areas that it is to cover before the end of 2015 and that it has undertaken to complete deployment in the following five years at the latest. In the event of non-compliance with this contractual deployment schedule, Orange could make its own deployments in the areas initially allocated to SFR.

In the event of delays in deployment, SFR could thus lose the opportunity to set up its own network and would be dependent on the network deployed by Orange and on subscription to Orange's wholesale offers, which could furthermore expose it to a loss of market share and revenue.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR's position was recently enhanced by the signing of an exclusive partnership agreement with the Vodafone Sales and Services Limited (''Vodafone'') effective on April 1, 2014, which will allow SFR to continue to benefit from commercial, economic, technological and information sharing advantages according to the same terms and conditions as the local operators controlled by Vodafone. This agreement may be terminated by Vodafone with 60-day prior notice if (i) there is a change of control of SFR as result of SFR having been acquired by a direct competitor of Vodafone or (ii) SFR acquires a share in a mobile telephony operator in a country where Vodafone is also active.

Contract related to the GSM-R mobile communications network

SFR has a minority shareholding of 30% in the Synérail company, which has concluded a partnership agreement with Réseau Ferré de France for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network.

The GSM-R project aims to set up a private telecommunications network dedicated to the needs of rail transport professionals. It will enable the setting up of a European network with a unique communication system which is compatible and standardized across the rail networks, and replacing the existing national radio systems. This contract, for a 15 year term, provides for the progressive deployment of this network up to 2015. SFR also plays a part as services provider in the exploitation phase of the GSM-R network. Delays in deployment due to SFR or the inability to achieve the objectives envisaged by the contract could put SFR at risk with regard to its contractual obligations towards its main partners.

Should any of the circumstances described above occur, it could have a material adverse effect on the activities, the financial situation, the results or the prospects of SFR.

Prior operations may result in the implementation of change of control clauses.

SFR has certain licenses and administrative authorizations and has entered into various contracts, partnership contracts and other agreements or deeds containing ''change of control'' clauses. Some of these clauses could be applicable in connection with the Acquisition, insofar as Vivendi will no longer be the controlling shareholder of SFR. The triggering of such clauses could result in the loss of contractual rights and significant benefits, or result in the application of other contractual clauses, the termination of contracts, or the need to renegotiate them. This would specifically be the case in the event of the termination of an agreement relating to the occupation of the public domain entered into with Réseau Ferré de France to establish SFR telecommunications network.

This could have a material adverse effect on the business, financial condition, results of operations or prospects of SFR.

SFR is dependent on its intellectual property rights, which may not be adequately protected.

SFR owns a large, diverse portfolio of brands, patents, drawings, models and domain names. The activities of SFR are based to a large extent on its intellectual property rights, and SFR oversees an active policy to protect and manage them.

SFR mainly holds patent and trademark rights and patent applications in Europe, specifically France, as well as outside Europe (United States, Japan and China). Like any other entity that files intellectual property rights, SFR may have difficulty in obtaining intellectual property rights due to potential historical claims or conditions relating to appropriate title registration. Moreover, SFR cannot guarantee that filing and registrations made with a view to obtaining intellectual property rights will lead to their being awarded, specifically when disputes arise with third parties in connection with opposition actions or invalidity of rights actions. In addition, the rights obtained may not be sufficient to provide adequate protection or a competitive advantage, such as operational exclusivity.

SFR could be dependent on its employees or third parties with regard to the ownership of certain intellectual property rights. SFR has developed a policy on inventions and creations made by its employees and corporate officers in the performance of their mission, which schedules the transfer of rights accompanied by a reward or additional compensation. Certain contractual provisions scheduling the transfer of intellectual property rights to the employer could however be insufficient to meet the requirements prescribed by the mandatory provisions of the French Intellectual Property Code, in such a way that the effective transfer of these rights (including copyright on software rights) to SFR may be challenged by its employees under certain circumstances. Furthermore, certain intellectual property rights used by SFR may have been developed jointly and held in co-ownership with third parties, which implies a risk of dependency in respect of other co-owners. The risk of dependency may also cover some secondary patents dependent on third-party technologies.

SFR holds the majority of the intellectual property rights that are key to its activities, which allows it to be relatively independent from a technological and commercial standpoint. Certain key intellectual property rights used by SFR in connection with its activities may, however, be held by third parties which have granted a license to SFR, the terms of which restrict the usage rights of SFR, and the infringement of which could result in significant litigation, specifically regarding software. In particular, some licensing contracts contain clauses that may lead to termination of use of the rights concerned in the event of a change of control affecting SFR.

Despite the best efforts of SFR to protect its intellectual property rights, third parties may attempt to infringe upon such rights. SFR may find it difficult to effectively protect its current or future rights and to prevent unauthorized use, particularly in foreign countries, and this could generate significant costs. SFR has established a monitoring policy for potential infringements of its intellectual property rights (specifically trademarks and domain names), and entrusts the management of preliminary litigation to specialist law firms. Management by SFR of its extensive portfolio of intellectual property rights represents a significant cost, which could be increased subsequent to legal action brought by SFR to enforce its rights or if SFR were to protect its rights against attacks from third parties.

Furthermore, SFR may face litigation on the basis of an infringement of the intellectual property rights of third parties. This could result in the imposition of a usage ban and substantial damages. the telecommunications sector is known for its high concentration of intellectual property rights, which increases the risk of litigation arising from the activities of SFR based on the historical rights of third parties. Thus, in line with its competitors and other companies operating in areas where technological expertise is required, SFR is exposed to the risk of actions brought by ''patent trolls'' or Non-Practicing Entities (NPE). The main or sole activity of these entities is to acquire or hold patents that they do not themselves use. They offer licenses for the patents they hold and seek to obtain cross-licensing agreements. Where appropriate, they take legal action for infringement of these patents in order to obtain compensation. Such legal action usually involves very large sums, so it represents a significant risk to SFR. This could force SFR to enter into licensing agreements for certain technologies that are key to its activities, particularly in terms of those patents that are key to 3G and 4G technology.

The inability of SFR to provide effective protection for some key elements of its intellectual property rights and technology could have a material adverse effect on the activities, financial situation, results or outlook of SFR.

SFR uses so-called ''freeware'' in connection with its business.

''Freeware'' is software based on the concepts of sharing and free use of source code. It is subject to specific license types, for instance the GNU GPL (General Public License), which allows users to modify and use source code without the prior consent of the rights holders.

However, depending on the type of license, modified versions of freeware or changes made to it may have to be subject to the same ''free'' license and be freely accessible and usable by third parties in the same conditions as the original freeware. In addition, generally speaking, no contractual guarantee is given by the rights holders of freeware. Furthermore, uncertainties exist regarding the law applicable to this type of license and the interpretation of the provisions such a license contains, and regarding the chain of ownership rights to freeware.

As a result, SFR would bear the risks in the event of failure or counterfeit actions brought against this type of software. In addition, the use by SFR of such freeware could affect the ownership of software developed by SFR, specifically in terms of exclusivity and license (to which this type of software may need to be subject due to the use or incorporation of such components). This could have a material adverse effect on the activities, financial situation, results or outlook of SFR.

SFR faces risks associated with its distribution network.

SFR distributes its products and services to consumers and companies directly or indirectly through its national distribution network. In connection with its B2C business, this distribution occurs mainly through the ''Espace SFR'' brand. For indirect distribution, SFR relies on independent partners, including the SFD and Cinq sur Cinq companies, in which it holds minority interests either directly or indirectly.

The telecommunications market is characterized by rapid changes in customer needs and habits. As a result, SFR endeavors to adapt its distribution network over time, in order to correspond to the new characteristics of the market. This transformation in the distribution network means that regular changes must be made for indirect distribution, and thus for all independent partners. However, some partners may not be willing or able to implement the necessary changes.

Furthermore, SFR faces litigation for substantial sums, specifically regarding requests for the reclassification of certain contracts as commercial agent contracts, for compensation following the termination of the business relationship, for application of the ''salaried manager'' status, and requests from its own employees regarding the recognition of SFR in its capacity as employer, and the application of the employment status in terms of the 'SFR Social and Economic Unit (UES) convention'.

SFR cannot ensure that such claims will remain at the present level, or that the factual or legal arguments put forward by SFR to rebut these claims will be received favorably by the courts. In particular, SFR may be unable to maintain the non-application of SFR's employment status outside the Social and Economic Unit (UES) convention.

Such changes could have an adverse effect on the current organization of SFR and force it to adapt; more generally, these changes could have a material adverse effect on the business, financial condition, results of operations or prospects of SFR.

SFR is involved in legal or administrative actions and litigation with regulators, competitors or other parties.

In the normal course of its business, SFR is involved in a number of legal, governmental, administrative, and arbitration actions, and may also be subject to investigations and audits. These procedures and investigations whose outcome is by nature uncertain may result in the payment of significant damages and/or harm to the image of SFR, which in turn could have an adverse effect on its business, financial condition, results of operations or prospects.

The main actions in which SFR is involved are set out in ''*Business, Market Overview and Management Discussion and Analysis of Financial Condition and Results of Operation of SFR*''.

Risks Relating to Telecommunications Operators in France affecting SFR, the Numericable Group and, following the Transactions, the Combined Group.

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. If concerns for such risks were to worsen, or if harmful effects were scientifically established, the business, financial condition and results of operations of telecommunications operators in France, including both SFR and the Numericable Group, could be materially adversely affected.

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. SFR operates several facilities classified by the government as ICPE (*installation classée pour la protection de l'environnement*) on mainland France and in La Réunion, notably for its data centers. SFR remains attentive to the environmental risks which might arise or be discovered in the future, and has programs in place to ensure the observance of the applicable regulations.

Both SFR and the Numericable Group's activities are subject to public concern relating to possible effects of electromagnetic waves on consumers' health (radiofrequency emissions from antennas, radiofrequency emissions from mobile terminals, Wifi, etc.). These concerns have been expressed in numerous countries, as well as in relation to the deployment of 4G networks by mobile operators.

The World Health Organisation (WHO), in Fact sheet no. 193 of June 2011, indicates that ''to date, no adverse health effects have been established as being caused by mobile phone use''. However, a number of studies report long-term health effects linked to the use of radio equipment and particularly mobile phones. In May 2011, the International Agency for Research on Cancer (the IARC), with the support of the WHO, classified the radiofrequency electromagnetic fields linked particularly with the use of cordless phones as ''possibly carcinogenic to humans''. During the same period, the Centre International de Recherche sur le Cancer (Circ), a specialist organization of the World Health Organization (WHO), gave radio-frequency electromagnetic fields a rating of '2B' in its rating system, or ''possibly carcinogenic for humans.'' Several reports (such as the Grenelle radio wave forum (2009), the 2012 BioInitiative Report, the update of the opinion and report of the French agency for food safety, environmental safety and the safety of the working environment (the ANSES in French) in October 2013 and the recommendations of the French Mission Sobriété (mission promoting efficient use of radio waves), 2013) have been published on this subject. In many countries, there has been concerns over possible human health risks due to exposure to electromagnetic fields through telecommunications equipment (such mobile antennas, relay antennas and WiFi). In addition, the publication of two reports in January 2013 (*Agence Européene de l'Environnement et Bio-initiative*) concerning such health risks has received attention from various elected officials and associations.

In the absence of scientific certainty on the effects of electromagnetic fields on human health, the government and health authorities have established different precautions aimed at reducing exposure to mobile phone fields. Certain countries, such as France, have also adopted regulations establishing public exposure limits. Future scientific publications or publications issued by the government and the health authorities which establish a direct link between mobile phone usage and health problems could lead to legislative and regulatory changes that might result in the dismantling of antennas and a greater scarcity of sites, thereby generating additional costs for SFR and the Numericable Group. Furthermore, such changes could lead to a reduction in the use of mobile telecommunications services and Wifi networks, as well as a multiplication of claims, particularly if an adverse effect were to be scientifically established.

On January 23, 2014, the French National Assembly adopted, at a first reading, a bill on efficiency, transparency and consultation in matters of exposure to electromagnetic waves (text no. 1635). This bill is still in the early stages and far from being implemented as a legislative procedure and we are unable to precisely identify the possible obligations on operators. As the bill currently stands, we believe that such provisions could mainly lead to more complex and time intensive procedures related to the installation of antennas.

Moreover, neither SFR nor the Numericable Group can predict the conclusions of scientific research publications in the future or future evaluations of international organizations and scientific committees in charge of analyzing these questions. These publications or evaluations, and the various possible interpretations thereof, could lead to a decrease in the use of mobile telephony and WiFi networks, as well as an increase in litigation, especially if a harmful effects were scientifically established.

Fears of possible health risks of electromagnetic waves could also lead to third-party actions against SFR and the Numericable Group. For example, this might include legal actions demanding the removal of antennas or masts, which could affect SFR's business activities and the deployment of its network which could have a material adverse effect on its business, financial condition and results of operations.

SFR and the Numericable Group operate in a heavily regulated industry. Regulatory compliance may increase their costs or restrict their business activities and non-compliance could lead to sanctions or other penalties. Future changes in regulation could adversely affect their respective businesses.

SFR and the Numericable Group's respective businesses are subject to significant regulation and supervision by various regulatory bodies. See ''*Regulation*''. Such regulation and supervision strongly influences how each of these companies operate their respective businesses. Complying with existing and future laws and regulations may increase their operational and administrative expenses, restrict their ability or make it more difficult to implement price increases, affect their ability to introduce new services, force them to change their marketing and business practices, and/or otherwise reduce or limit their revenues.

Applicable regulation includes price controls (for fixed termination and mobile roaming charges), service quality standards, privacy, requirements to carry specified programming, requirements to grant network access to competitors and content providers, and programming content restrictions.

The telecommunications sector in Europe is subject to strict asymmetric regulation focused on market segments—mainly wholesale markets—in which distortion of competition and dominant market positions have been identified.

Furthermore, the French Telecommunications and Posts Regulator (ARCEP) analyzes the market on a regular basis in order to update the regulation applicable to telecom operators. The resulting decisions may have a significant adverse effect on the activities, the financial situation, the results or the prospects of SFR. Following an investigation by ARCEP in November 2010, neither SFR, nor the Numericable Group, nor Completel were considered by the ARCEP as an operator with significant market power in any relevant market except in the market of calls terminating on its network, like any other operator. (ARCEP decision 2010-1149 dated November 2, 2010).

In 2013, the ARCEP launched new market analyses on the following markets: ''wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location,'' ''wholesale broadband access,'' which comprises non-physical or virtual network access including ''bit-stream'' access at a fixed location, and ''capacity services.'' A draft decision regarding the three markets mentioned above was issued by ARCEP on November 27, 2013 for the period from mid-2014 to mid-2017, and submitted them for public consultation on January 8, 2014. Under the draft decisions, ARCEP identified Orange as the sole operator deemed to have significant market power in any of these markets. No assurance can be given, however, that SFR, the Numericable Group or, following the Acquisition, the Combined Group, will not be identified by the ARCEP as having significant market power in one of those markets in the future and that the ARCEP will not therefore impose additional regulatory requirements on it.

For example, it is possible that SFR, the Numericable Group, or, following the Acquisition, the Combined Group could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to its fiber network under certain conditions.

On November 29, 2013 ARCEP submitted a draft recommendation for public consultation on the wholesale market for the interconnection of value-added services. On January 21, 2014, it made a recommendation relating to the procedures for access to very high speed lines for buildings with less than 12 apartments or professional premises in very densely populated areas. It also announced its commitment to work, within the context of the symmetric regulation (which will apply to all operators, including SFR and the Numericable Group) to specify the tariff-related and operational aspects of access to shared optic local loops (''BLOM''), rather than to allow the development of offers adapted to the specific needs of the enterprises on these shared loops. In decision no. 2013-1475 of December 10, 2013, ARCEP adjusted the list of municipalities in very densely populated areas, the effect of which was to reinforce the obligations of sharing on 43 municipalities initially designated as being part of very densely populated areas.

The debate on net neutrality, (which relates to the obligation for internet access providers (''IAP''), being obligated to provide unhindered access to all content, applications or services by end-users and a framework for the use of traffic management measures by operators), could lead to further legislative and regulatory developments which could have an adverse effect on the activity of SFR and the Numericable Group.

Significant changes in the nature, interpretation or application of the regulation by the legislator, ARCEP, the French Competition Authority or by the administrative or legal authorities (particularly with regard to the right of competition and to fiscal and various tax matters) could lead to further expenses for SFR and the Numericable Group or even force them to modify the services they offer, which could significantly affect their activity, financial situation and results of operations. Furthermore, SFR and the Numericable Group can only commit to comply with all these regulations. In this context, SFR and the Numericable Group is in continuous discussions with the national and European authorities and the other stakeholders.

In 2013 the European Commission started a new cycle of analyzing the relevant markets that were likely to be regulated in the future, in the electronic communications sector, which could end up imposing additional obligations on SFR and the Numericable Group.

In France, Law no. 2013-1168 of December 18, 2013 on military planning for the years 2014 to 2019, with various provisions concerning defense and national security, reinforced the obligations of telecom operators with regard to the storage and transmission of data processed or stored by the electronic communication services or networks. This implemented new provisions on the protection of vital infrastructure and the security of information systems, which could particularly impact the freedom of choice of the equipment used by SFR and the Numericable Group for their respective activities. The implementation of these provisions could thus generate operational risks relating to work sites on existing equipment and lead to the need for considerable investments for SFR and the Numericable Group. The content of these provisions will be specified in implementing provisions, the schedule for which is not known at the date of this offering memorandum.

Although both SFR and the Numericable Group monitor regulations to which they may be subject, the regulatory burden on telecommunications operators may shift and place different, more or less constraining obligations on certain operators as a result of changes in technologies used to provide services, ownership levels of direct access networks and market power. To the extent SFR or the Numericable Group become subject to more onerous regulation than its competitors, which is not currently the case, this could have a material adverse effect on its business, results of operations or financial condition.

Moreover, as telecommunications operators, both SFR and the Numericable Group are subject to specific taxes. For instance, the Public Audiovisual Reform law of March 5, 2009 (*loi relative à la communication audiovisuelle et au nouveau service public de la télévision*) introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of the telecommunication operators relating to electronic communication services in excess of €5,000,000 (subject to certain deductions and exclusions, and with specific rebate for bundled offers). Furthermore, there can be no guarantee that any additional tax will not be levied on the telecommunications sector.

Tax audits and proceedings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on SFR and the Numericable Group's results of operations and cash flows.

SFR and the Numericable Group have each structured their commercial and financial activities in light of diverse applicable regulatory requirements and commercial and financial objectives. Since tax laws and regulations in the various jurisdictions in which SFR and the Numericable Group or Numericable Group companies are located or operate may not provide clear-cut or definitive doctrines, the tax regime applied to SFR and the Numericable Group's operations or intra-group transactions or reorganizations is sometimes based on interpretations of French or foreign tax laws and regulations. SFR and the Numericable Group cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect the Numericable Group's and/or SFR's financial condition or results of operations. More generally, any failure to comply with the tax laws or regulations of the countries in which SFR and the Numericable Group or Numericable Group companies are located or operate may result in reassessments, late payment interest, fines and penalties. Furthermore, tax laws and regulations may change and there may be changes in their interpretation and enforcement. As a result, SFR and the Numericable Group may face increases in taxes payable if tax rates increase, or if tax laws and regulations, or interpretations thereof, are modified.

The Numericable Group currently benefits from a favorable tax regime in respect of value-added tax (''VAT''). Unlike certain competitors, the Numericable Group provides television services on a stand-alone basis, which allows it to take advantage of the 10% VAT rate applicable to television services in France, which is lower than the standard 20% VAT rate, which applies to broadband Internet and fixed and mobile telephony. Since January 1, 2011, the lower VAT rate is not applicable to television services distributed in a single offer which includes, for a subscription fee, access to electronic communications networks unless the television distribution rights were partially or completely acquired in exchange for payment by the provider of such services. In such a situation, the reduced rate is applicable to the part of the corresponding subscription equal to, at the choice of the distributor, either the fees paid per user for such access rights or the price at which the services corresponding to such access rights are distributed by the distributor in a television offer without access to an electronic communications network. The

Numericable Group believes that it fulfills the conditions allowing for the continued application of the reduced tax rate to television services offered in a multi-play offer and, as the Numericable Group offers a television offer separate from its bundled offers, has decided to apply the reduced VAT rate on the basis of its prices for equivalent services offered in its stand-alone television offers. However, no assurance can be given that the administration shares the Numericable Group's analysis and will not contest, in full or in part, the application of the reduced VAT rate, which could have a material adverse effect on its results of operations and financial condition.

The VAT tax rate applicable to television services increased, from 5.5% as of January 1, 2012 to 10%, as of January 1, 2014. This latter increase in the television VAT rate, as well as any potential future increases, may have a negative impact on SFR's and the Numericable Group's ARPU if it cannot pass it along in its product pricing.

SFR or the Numericable Group may not be able to pass on all or part of such an increase to its subscription prices. In addition, the partial or total impact of a potential increase would expose SFR and the Numericable Group to the risk of increased churn rate of its subscribers, and could limit the recruitment of new subscribers. Such a change could have a material adverse effect on the activities, financial situation, results or outlook of the Numericable Group and SFR.

In addition, the Numericable Group has been subject to audits on various Numericable Group companies since 2005. The main assessment relates to the computation of VAT on the Numericable Group's multi-play packages in the 2006-2010 period (for a description of such assessment, see ''*Business—Legal Proceedings—Tax Matters*''). This assessment is fully provisioned for the amounts stated therein for the 2006-2010 period (excluding penalties of 40%). As indicated above, the VAT rules applicable to multi-play packages changed as from January 1, 2011.

As of December 31, 2013, a provision for tax proceedings totaling €36.3 million have been recorded, of which €24.9 million in respect of the VAT assessments on multi-play packages for the 2006-2010 period and €11.4 million in respect of charges for services for which companies were beneficiaries for the 2009-2011 period. By way of comparison, provisions for tax proceedings amounted to €25.1 million as of December 31, 2012 and €27.0 million as of December 31, 2011. This provision represents management's best estimate of the likely risk, but the resolution of any of these tax matters could differ from the amount reserved, which could have a material adverse effect on the Numericable Group's cash flows, business, financial condition and results of operations for any affected period. In addition, there can be no assurance that the administration will not challenge our VAT calculations for the years 2011-2013.

French tax law may limit SFR's and the Numericable Group's capacity to deduct interest for tax purposes, which could lead to a reduction in SFR's or the Numericable Group's net cash flows.

Under current French thin capitalization rules set forth by Article 212-II of the French Tax Code (*Code général des impôts*) (the ''FTC''), the deduction of interest paid on loans granted by 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 fiscal 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 fiscal 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 fiscal 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.

In addition, Article 209 § IX of the 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 fiscal years running over the twelve-month period from the acquisition of the shares (or with respect to the first fiscal year commencing after January 1, 2012 for shares acquired during a fiscal 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).

Moreover, Article 212 *bis* of the FTC aims to generally limit the deductibility of net financial charges, which is 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 85% of their amount in respect of fiscal years ended as from December 31, 2012 and only up to 75% of their amount in respect of fiscal years commencing as from January 1, 2014, to the extent that such companies' net financial charges are at least equal to €3.0 million in a given fiscal year. Under Article 223 B *bis* of the FTC, special rules apply to companies that belong to French tax-consolidated groups. The 85% or 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 €3.0 million in a given fiscal year.

For fiscal years ended on or after September 25, 2013, the deductibility of interest paid to a related party within the meaning of Article 39.12 of the FTC is subject to an additional limitation pursuant to Article 22 of the French Finance Law for 2014. If the lender is a related party to the French borrower, the latter shall now demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal 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 or a UCITS or a similar entity.

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

The economic and financial climate, particularly in France, might have an adverse effect on the business, financial condition and results of operations of SFR and the Numericable Group.

For the financial year ending December 31, 2013, all of SFR's and the Numericable's Group's revenues were derived from its operations in France. It is therefore heavily dependent on the changing economic climate in France.

The adverse economic conditions in France and in Europe have led to major contractions on the credit market, high volatility on the stock markets and low growth forecasts. At the beginning of 2013, the International Monetary Fund maintained its growth forecast for France of 1.0% for 2014, in view of uncertainties regarding its economic policies. (Source: International Monetary Fund). This affects the activity of the companies or groups operating in diverse sectors, including the telecommunications sector. Furthermore, the negative consequences of the economic crisis, particularly the decline in purchasing power and consumer confidence levels (i) make it more difficult for SFR and the Numericable Group to attract new subscribers and customers, (ii) have caused and could further cause an increase in customer churn rates, (iii) make it more likely that certain of SFR's and the Numericable Group's subscribers or customers will downgrade or terminate their services, and (iv) make it more difficult for SFR and the Numericable Group to maintain its ARPU or B2B prices at existing levels. For example, a significant portion of the Numericable Group's B2C business revenue is generated by premium television and multiple-play packages. Because discretionary consumer spending is affected in periods of economic uncertainty, customers may consider such premium products as being non-essential or not attractive from a cost-benefit perspective and therefore opt for the Numericable Group's non-premium packages or cheaper offers from competitors, or cancel or decide not to renew their subscriptions. Furthermore, while the impact on the B2B segment is more limited than in the B2C segment, the Numericable Group also faces the risk during periods of macroeconomic downturns of businesses reducing their service requirements or negotiating increasingly lower prices. Moreover, the weakness of, or the deterioration in, the macroeconomic conditions in France may also have an adverse effect on SFR's and the Numericable Group's respective businesses which could lead to budget reductions, impacting its spending power and thereby affecting the services and products it can offer to its customers and the ability to cover the costs it incurs when providing such services and products. As a result, in our B2C segment, we experienced decrease of mobile ARPU and in the B2B segment, we experienced pressure on our pricing.

The economic and financial environment, particularly in France, and negative changes thereto could have a material adverse effect on the business, financial condition and the results of operations of SFR and the Numericable Group.

SFR and the Numericable Group are subject to data confidentiality and security obligations.

Within the scope of their respective activities, SFR and the Numericable Group must collect and process personal data. The French data protection law (the ''*loi Informatique et Libertés*'') of January 6, 1978 imposes obligations on the data processing controller (i.e., the entity which determines the purpose of data processing and the data processing procedures), concerning personal information and data of individuals, obtaining of their consent (notably for the use of cookies), declaration formalities and transfer of data outside the European Union. Any breach of these obligations could lead to criminal and financial penalties against SFR and the Numericable Group and damage their reputation. The French data protection law also imposes an obligation to notify security breaches on providers of publicly available electronic communication services, such as SFR and the Numericable Group. The breach of these obligations could lead to litigation against SFR and the Numericable Group. Furthermore, a draft European regulation dated January 25, 2012 on the protection of personal data has been approved by the European Parliament on March 12, 2014. This regulation will affect the procedures and implementation of personal data processes by SFR and the Numericable Group, and will significantly increase the penalties which might be imposed on SFR and the Numericable Group if the new rules are breached. This draft regulation is expected to be adopted by 2016. No precise timetable for the adoption of this draft regulation, however, has been established. Changes to the regulations on personal data processing are likely to have a material adverse effect on SFR's and the Numericable Group's activities, financial situation and results of operations.

The development of data hosting activities for different customers of will increase SFR's and the Numericable Group's level of exposure to the risk of liability in terms of protection and security, all the more so as SFR has a data hosting activity subject to approval which involves the health data of individuals. As a result, it is subject to specific obligations set out in the French Public Health Code. This type of activity is particularly sensitive in view of the personal data concerned. If SFR or the Numericable Group breaches its obligations or if data breaches occur, SFR and the Numericable Group could be subject to criminal and financial penalties, which are likely to have a material adverse effect on the activities, financial situation and results of operations of SFR and the Numericable Group, respectively.

Also, SFR and the Numericable Group have made investments, and will continue to make investments, to guarantee the reliability of their personal data protection and security systems, as well as to reduce the risks that might be caused by a safety breach or breach of the personal data they process. SFR and the Numericable Group have therefore put in place specific resources dedicated to data protection and have also set up an internal process which fulfils the obligation to notify the French data protection commission (the CNIL) of personal data security breaches. Despite the measures adopted by SFR and the Numericable Group to protect data confidentiality and security, the risk of possible attacks or breaches of the data processing systems remains, which could give rise to penalties and damage their reputation. Each of the Companies could be forced to bear additional costs in order to protect against such risks or to limit the consequences, which could in turn have a significant negative impact on its respective business, its financial condition, its results of operations or its prospects. Furthermore, any loss of confidence of customers of SFR and the Numericable Group as a result of such events could lead to a substantial fall in sales and have a material adverse effect on SFR's and the Numericable Group's activities, financial situation and results of operations.

SFR and the Numericable Group will face risks in connection with the Combined Group's external growth strategy.

We will face risks in connection with the Combined Group's external growth strategy. We believe that the television, broadband Internet and fixed and mobile telephony industries in France may be subject to further consolidation. Our strategies include the pursuit of external growth opportunities. These acquisitions or other business combinations may be transformative in nature. The success of this strategy of pursuing strategic opportunities by making selective acquisitions or other business combinations is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate favorable terms and ultimately complete such transactions and integrate any acquired businesses. Moreover, future consolidation in the industries in which we operate will reduce opportunities for acquisitions or business combinations. We believe that certain of the Combined Group's competitors will also be pursuing similar acquisition strategies. These competitors may have greater financial resources available for investments or may be able to accept less-favorable terms than the Group, which may prevent us from acquiring the businesses that it targets and reduce the number of potential acquisition targets. In addition, following the Transactions, the opportunity for the Group to make acquisitions is limited by certain financial covenants which limit the amount of debt we can incur. See ''*Description of Notes*''.

If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of the businesses the Combined Group acquires, generate expected margins or cash flows, or realize the anticipated benefits of such acquisitions, including growth or expected synergies. Although we analyze potential targets, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that these assessments and assumptions will prove to be correct, and actual developments may differ significantly from expectations. In most cases, acquisitions involve the integration of a business previously operated independently with different systems and processes. We may not be able to successfully integrate acquisitions into the Combined Group's business or such integration may require more investment than we expect, and we could incur liabilities or contingencies with respect to customers, employees, suppliers or government authorities, which may impact the Combined Group's results of operations. The process of integrating businesses may be disruptive to our operations and have a material adverse effect on the Combined Group's results. If we are unable to implement our acquisition strategy or integrate acquired businesses successfully, the Combined Group's business and growth could be affected.

Failure by each of SFR and the Numericable Group to protect its image, reputation and brand could materially affect its business.

The brands under which we sell our products and services, including ''Numericable'', ''Completel'', ''SFR'', ''RED'', ''Formules Carrées'', ''SFR La Carte'' and associated brands are well-recognized brands in France. See ''*Business of the Numericable Group—Research and Development, Patents and Licenses—Intellectual Property*,'' and ''*Business of SFR—SFR's Products and Services*''.

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. SFR and the Numericable Group's success depend on their ability to maintain and enhance the image and reputation of their existing products and services and to develop a favorable image and reputation for new products and services. For example, the Numericable Group's image is tied to its key product, LaBox, for which it has heavily invested in marketing campaigns and sales distribution channels. The image and reputation of SFR's and the Numericable Group's products and services, including LaBox, may be adversely affected if concerns arise about (i) the quality, reliability and benefit/cost balance of their products and services, (ii) the quality of their support centers or (iii) their ability to deliver the level of services advertised. An event or series of events that threatens the reputation of one or more of SFR's or the Numericable Group's respective brands, or one or more of SFR's and the Numericable Group's products such as LaBox, could have an adverse effect on the value of that brand or product and subsequent revenues therefrom. Restoring the image and reputation of SFR's or the Numericable Group's products and services may be costly and not always possible.

Both SFR and the Numericable Group rely 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 their intellectual property rights. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of SFR's or the

Numericable Group's brand, which could lead to decreased consumer demand and have a material adverse effect on SFR or the Numericable Group's business, results of operations or financial condition and prospects.

SFR and the Numericable Group are exposed to risks of fraud.

As a telecommunications operator, each of SFR and the Numericable 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 SFR and the Numericable Group's business, financial condition and results of operations.

Each of SFR and the Numericable 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, each of SFR and the Numericable Group could be held liable for claims due to the content hosted on their infrastructures or transmitted by their 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 each of their liability were ultimately not proven (since internet access providers and hosts are covered by a liability exemption scheme). The existence of such requests could also harm the reputations of SFR and the Numericable Group.

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

The volume of contacts handled by SFR and the Numericable Group's customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on each of their 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 Numericable Group, customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment and with delays and service problems resulting in both penalties and the potential loss of a customer. In these segments, the Numericable 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.

Furthermore, the Numericable Group has in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties, both in the B2C and B2B segments. In the B2C segment, these dissatisfaction levels resulted primarily from operational difficulties stemming from the integration of the various cable businesses the Numericable Group acquired in 2005 and 2006. The Numericable Group believes that it currently experiences high levels of customer satisfaction (with satisfaction rates higher than in the past (ranging from approximately 55% to more than 70%) according to the most recent study conducted by the Numericable Group in 2013). However, no assurance can be given that such levels will remain high in the future.

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

The European Union may continue to impose further decreases in the roaming charges for using mobile phones within the EEA.

Within the past few years, the European Union has repeatedly urged mobile operators to lower roaming charges for mobile phone use within the Union. Pursuant to the Regulation (EU) 531/2012 dated June 13, 2012, on roaming on public mobile communications networks within the Union (the ''Roaming Regulation III''), wholesale and retail (voice and SMS) roaming charges levied by mobile operators are subject to price caps. Further deceases in roaming charges may be imposed by the EU in the coming years. Such decreases in roaming charges may have an impact on our results and profitability. See ''*Regulation*''.

Furthermore, on April 3, 2014 the European Parliament has adopted the Regulation amending Directives 2002/20/EC and 2002/22/EC and Regulations (EC) 1211/2009 and (EU) 531/2012. According to the adopted text roaming charges within the EU will be abolished in December 2015.

The occurrence of any of the items described above could have a material adverse effect in the activities, financial situation, results or outlook of SFR and the Numericable Group.

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 interest in the respective Escrow Agreements and Escrow Accounts and its shares in NewCo France and Ypso Holding S.à r.l. Following completion of the Transactions, the assets of the Issuer also will consist of its interest in the shares in SFR 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 Numericable Group in order to service its debt obligations under the Notes to the extent it does not have cash to meet those obligations. There will be no guarantees of the Notes on the Issue Date.

The ability of members of the Numericable 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 Indentures, the Numericable Group Revolving Credit Facilities and the Numericable Group Term Loan 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, 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 respective 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 upon the release of the proceeds thereof from the relevant Escrow Accounts.

None of our subsidiaries will guarantee the Notes on the Issue Date, and on the release of the proceeds of the offering of the Notes from the applicable Escrow Accounts, the SFR subsidiaries will not guarantee the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of our non-Guarantor subsidiaries, holders of their debt (including 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 each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries.

Our 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 our 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 subsidiaries.

The value of the Notes Collateral may not be sufficient to satisfy our obligations under the Notes and such Notes Collateral may be reduced or diluted under certain circumstances.

In the event of a liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceeding, the proceeds from the sale of the Notes Collateral that secures the Notes may not be sufficient to satisfy our obligations under the Notes. 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 and our industry, the ability to sell the Notes Collateral in an orderly sale, market and economic conditions, whether the business is sold as a going concern, the availability of buyers and other factors. With respect to any shares of our subsidiaries pledged to secure the Notes and the Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency, liquidation, winding up or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, courts could limit recoverability with respect to the 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 our 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, our failure to successfully implement our 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 us, 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 Indentures, the Numericable Group Revolving Credit Facilities and the Numericable Group Term Loan will permit the granting of certain liens other than those in favor of the holders of the Notes on the relevant 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 Indentures, the Numericable Group Revolving Credit Facilities, the Numericable Group Term Loan 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 our obligations under the Notes, to the extent such Notes are secured by such Notes Collateral. Moreover, if the Issuer issues additional Notes under the Indentures, 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 Numericable Group 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—Numericable Group 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 will be granted to the Security Agent rather than directly to the holders of the Notes, as applicable. The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by local law.

The security interests in the Notes Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indentures will provide (along with the Numericable Group Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. 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 such Notes, except through the Trustee for such Notes, who will (subject to the provisions of the applicable Indenture and the Numericable Group Intercreditor Agreement) provide instructions to the Security Agent in respect of the Notes Collateral securing such Notes.

In certain jurisdictions, including France, due to the laws and other jurisprudence 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, 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 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 a bankruptcy proceeding is 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—France—French insolvency laws.*''

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

On the release of the proceeds of the offering of the Notes from the applicable Escrow Accounts and at certain other dates described in ''*Summary—Offering—Security*'' the holders of the Notes will benefit from security interests in the Notes Collateral that secures the Notes.

The Notes Collateral will be subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indentures and/or the Numericable Group 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, whether on or after the date the Notes are first issued. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Notes Collateral, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral. Furthermore, the senior ranking ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

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 familiar.

In addition, our 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. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure, the grant of permits and licenses may be revoked 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, as applicable, 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 the 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 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 relevant Notes and the Guarantees against third parties including a trustee in bankruptcy and other creditors who may claim a secured interest in the Notes Collateral.

Additionally, the Indentures and the Security 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 Security 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 Notes Collateral and the Guarantees will be released automatically, 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. We will be permitted to release and/or re-take any lien on any Notes Collateral to the extent otherwise permitted by the terms of each Indenture, the security documents governing the Notes Collateral or the Numericable Group Intercreditor Agreement or any additional intercreditor agreement. Such a release and re-taking of Notes Collateral may be void under applicable hardening period provisions in respect of the Notes Collateral. 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*''.

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

The security documents governing the Notes Collateral will allow ourselves and the Guarantors, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Notes Collateral. So long as no default or event of default under the Indentures would result therefrom, we and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the 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 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, the Guarantees and the 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, the 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 and the enforceability 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. See ''*Limitation on validity and enforceability of the guarantees and the credit interest and insolvency laws in certain jurisdictions—France—French insolvency laws*''—for a brief description of certain aspects of insolvency laws in France.

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

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

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, each 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.*''

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

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the relevant Guarantor was insolvent when it granted the relevant Guarantee;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and such Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed financial assistance rules or the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to each 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 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 we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, 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*.''

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

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

The change of control triggering event provisions contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a ''change of control triggering event'' as defined in each Indenture. In addition, a change of control as defined in each Indenture will not constitute a change of control triggering event unless there is a ratings decline (as defined in each Indenture) and therefore we 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*'', neither Indenture contains provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of ''change of control'' contained in the Indentures 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. As a result, it may be unclear as to whether a chagne 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.

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

The Notes 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, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. The Initial Purchasers 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 each Indenture to use commercially reasonable efforts to have the applicable Notes listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange within a reasonable period after the respective Issue Date of such 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 is 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 it 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 each 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 each Indenture may have a material adverse effect on a holder's ability to resell such Notes in the secondary market.

Credit ratings may not reflect all risks.

The credit ratings assigned to the Notes are an assessment by the relevant rating agencies of the Issuer's ability to pay its debts when due, which is, in respect of payment obligations under the Notes, dependent upon dividends, other distributions and other payments from its subsidiaries. Consequently, real or anticipated changes in our or the Notes' credit ratings may generally affect the market value of the Notes. Ratings may not reflect the potential impact of all risks relating to structure, market and additional factors discussed in 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 our ratings.

Each 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 each 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 such 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.

The Guarantees of the Notes, the Numericable Group Revolving Credit Facilities and of the Numericable Group Term Loan will be limited due to financial assistance and/or corporate benefit rules.

Due to certain restrictions under Luxembourg and French laws related to financial assistance and/or corporate benefit, the guarantees of the Notes, the Numericable Group Revolving Credit Facilities and of the Numericable Group Term Loan from any of the Guarantors incorporated in Luxembourg or in France will be limited pursuant to the limitations on guarantees set forth in each Indenture, the Numericable Group Revolving Credit Facilities and the Numericable Group Term Loan. Although, pursuant to the terms of the Numericable Group Intercreditor Agreement, the holders of the Notes, the lenders under the Numericable Group Revolving Credit Facilities and the lenders of the Numericable Group Term Loan agree to share equally in respect of any recoveries from the Guarantors (subject to the limitations set forth in the Numericable Group Intercreditor Agreement), there can be no assurance that all provisions of the Numericable Group 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 Numericable Group 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 Collateral. For a description of the application of proceeds provisions of the Numericable Group Intercreditor Agreement, please see ''*Description of Other Indebtedness—The Numericable Group 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 their respective 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 under the U.S. Securities Act, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes, as applicable, in an aggregate principal amount of less than $200,000, in the case of the dollar denominated Notes, or €100,000, in the case of the euro denominated Notes. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See ''*Transfer Restrictions*''.

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

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

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

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

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

Some or all of 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 Euroclear and Clearstream and/or 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 Principal Paying Agent and U.S. Paying Agent, which will make payments to Euroclear, Clearstream and/or DTC, as applicable. Thereafter, such payments will be credited to Euroclear, Clearstream and/or DTC participants' accounts that hold book-entry interests in the Notes, as applicable, in global form and credited by such participants to indirect participants. After payment to Euroclear, Clearstream and/or DTC, 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 Euroclear, Clearstream and/or DTC or to owners of book-entry interests.

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

The interests of our controlling shareholders may differ from the interests of the holders of the Notes.

The interests of the controlling shareholders of the Group, in certain circumstances, may conflict with your interests as holders of the Notes. As of the date of this offering memorandum, the Group is owned 40% (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) by funds managed by Altice, 21.3% by funds managed by Carlyle and 13.3% by funds owned by Cinven. Such shareholders form a group acting in concert under a shareholders' agreement. The remaining 25.4% of shares are owned by public shareholders. Altice also has the majority of votes on the board of directors pursuant to the shareholders' agreement. Prior to the completion of the Transactions, Altice France will purchase all of the shares in the Issuer held by Cinven and Carlyle and upon completion of the Transactions increase its ownership to 59.7% (based on the assumption that it will exercise the preferential subscription rights attached to shares currently owned by certain minority shareholders for which it currently holds a call option). Vivendi will own 20% of the Issuer's shares following completion of the Transactions.

As of the date of this offering memorandum, Altice, Carlyle and Cinven have, and unless and until the Transactions close, will continue to have, 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. Following the closing of the Transactions, Altice alone will have the power to perform and undertake such activities. 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 these Notes.

Furthermore, Altice has substantial indebtedness, including obligations related to the Altice S.A. Senior Notes to be issued on or around the Issue Date. Accordingly, such parent entities may use cash from the Numericable Group to service and re-pay such third party indebtedness. The terms of the Notes permit the Issuer to make distributions and dividends to Altice in order for it to service such indebtedness 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.

Additionally, Altice, Carlyle and Cinven and their affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with Numericable Group, or with which it conducts business. The controlling shareholders and their affiliates may also pursue acquisition opportunities that may be complementary to the business of Numericable Group and, as a result, those acquisition opportunities may not be available to Numericable Group. You should consider that the interests of these holders may differ from yours in material respects. See ''*Certain Relationships and Related Party Transactions*''.

THE TRANSACTIONS

As used in this offering memorandum, the ''Transactions'' is comprised of the following individual transactions:

The Acquisition

On April 5, 2014, the Issuer submitted an offer (the ''Offer'') to acquire 100% of the capital of SFR (other than 10 shares in SFR not held by Vivendi) and all of the shares of another subsidiary of Vivendi, SIG 50 (the ''Acquisition''). Also on April 5, 2014, Vivendi's Supervisory Board selected this Offer and resolved at the same time to counter-sign the Offer to confirm Vivendi's acceptance of its terms and to extend the exclusivity period in order to allow for the consultation of the works council of the various relevant parties, allow for the satisfaction of the conditions precedent specified in the acquisition documentation and, more generally, finalize and complete the Acquisition. This exclusivity period will terminate early under certain circumstances.

The Offer included drafts of the underlying transaction documentation including, *inter alia*, a master agreement establishing the overall contractual framework for the Acquisition and describing the various steps to its completion (the ''Master Agreement'') to be entered into as soon as the works council consultation processes have been completed, which shall have annexed to it as drafts, to be entered into in due course, (i) the share purchase agreement for the acquisition of SFR and SIG 50 (the ''Acquisition Agreement''), (ii) the contribution agreement pursuant to which Vivendi is to contribute a portion of SFR's stock to the Issuer (as further described below) in exchange for shares representing 20% of the Issuers' share capital and (iii) the shareholders' agreement between Vivendi, Altice France and Altice governing the relationship between Vivendi and Altice France as shareholders of the Issuer (the ''Altice Vivendi Shareholders' Agreement'').

The Offer provides that, upon the date of completion of the Acquisition (the ''Completion Date''), (i) Vivendi will sell to the Issuer a portion of the shares it holds in SFR, as well as all its outstanding shares in SIG 50 for a price of €13.5 billion on a cash-free/debt-free basis, (ii) the Issuer will acquire the shareholder loan of Vivendi to SFR, for a price corresponding to the principal amount of such shareholder's loan at the Completion Date and any interest accrued until such Completion Date and (iii) Vivendi will contribute the rest of the shares it holds in SFR to the Issuer in exchange for new shares of common stock to be issued by the Issuer representing 20% of its capital (after completion of the Rights Issue described below but not taking into account the potential dilution resulting from the exercise of certain stock options granted or to be granted by the Issuer) (the ''Contribution''). The acquisition price of the SFR shares will be subject to certain adjustments depending, in particular, on SFR's and SIG 50's net cash or net debt positions on the Completion Date. Further, Vivendi is entitled to an earn-out of €750 million, payable in cash, if the operational cash flow of the Combined Group resulting from the Acquisition reaches certain predefined targets.

The Offer also references a March 25, 2014 letter from Altice and the Issuer to Vivendi and SFR pursuant to which Altice and the Issuer commit not to reduce employment within SFR and the Numericable Group for a 36-month period as from April 2014 except under specific circumstances.

As a result of the Contribution, the capital of the Issuer upon completion of the Acquisition will be owned as follows: (i) Vivendi: 20%, (ii) Altice France: approximately 59.7% (taking into account shares currently held by certain minority shareholders for which it currently holds a call option, and including the shares of the Issuer to be acquired by Altice France from Cinven and Carlyle) and (iii) free float: approximately 20.3%, including the shares held by the Issuer's management through the Fiberman vehicle.

When executed, the Master Agreement will require Vivendi to ensure that Maroc Telecom (a Moroccan telecommunication business owned by SFR) will be transferred by SFR to a third party or to one of Vivendi's subsidiaries prior to the Completion Date and Vivendi shall enter into an indemnification agreement in favor of SFR to cover the latter from any potential claim from the purchaser of Maroc Telecom, including in particular under any representations and warranties. The Issuer has agreed that it will refinance the full amount of its and its subsidiaries existing indebtedness no later than on the Completion Date.

The Altice Vivendi Shareholders' Agreement when entered into will provide, in particular, that (i) Altice France will have the majority of seats on the Board of Directors of the Issuer, (ii) Vivendi will have limited veto rights as long as it holds a certain minimum percentage of the Issuer's shares and (iii) while Altice France holds the majority of the share capital in the Issuer, Vivendi will vote as directed by Altice France on dividend distributions. The Altice Vivendi Shareholders' Agreement shall provide that (subject to certain conditions being met) the parties will cause the Issuer to distribute each year after the Completion Date a minimum level of dividends.

The Altice Vivendi Shareholders' Agreement will also contain certain restrictions on the sale of shares to be held by Vivendi in the Issuer after the Completion Date (''Vivendi's Numericable Group Shares'') including (i) a lock-up period expiring 12 months after the Completion Date and (ii) preemption rights for Altice France to purchase Vivendi's Numericable Group Shares for a specified period, these preemption rights being governed by specific arrangements in the event of block trades (such as accelerated book-building processes) or distributions of Vivendi's Numericable Group Shares to Vivendi's shareholders. In addition, Altice France will be granted a call option over Vivendi's Numericable Group Shares, exercisable within specified windows over a period of 43 months (it being specified that Vivendi will not be prohibited from selling shares outside the call option exercise windows, but subject to Altice France's preemption rights as mentioned above). The call option price will be based on the market price of the Issuer's stock, subject to certain specific arrangements (including certain minimum price provisions). Should Altice France not exercise any of the options, it shall nonetheless retain a right of first refusal exercise upon Vivendi selling any Vivendi's Numericable Group Shares.

The Altice Vivendi Shareholders' Agreement shall grant Vivendi (i) a proportional tag-along right and (ii) a full tag-along right exercisable in particular if Altice no longer controls the Issuer. Further, until the expiration of the call options and preemption rights mentioned above, Altice may not acquire for cash shares in the Issuer's stock from other shareholders. The Acquisition is subject to certain conditions precedent including antitrust approval, the grant of certain exemptions and the issuance of certain clearances or authorizations by French market authorities. The parties are to initiate the process for informing and consulting their respective workers' councils and other applicable employee representative bodies with respect to the Acquisition, which process, pursuant to applicable regulations, must be completed before the above transaction documents and related documentation may be executed.

Refinancing Transactions

As of the Issue Date, the Issuer and its subsidiaries have €2,638 million of indebtedness outstanding under the Ypso France Senior Facility Agreement, including the February 2012 Notes and the October 2012 Notes (collectively, the ''Existing Indebtedness''). On or around the Issue Date, Numericable will refinance such Existing Indebtedness (the ''Refinancing Transactions''). The finance leases and the perpetual subordinated notes will remain on the balance sheet of Numericable.

Financing of the Acquisition and the Refinancing Transactions

The Acquisition and the Refinancing Transactions, together with related fees and expenses, will be financed as follows:

- On the Issue Date, the Issuer will issue €6,040 million (equivalent) of Notes. Pending satisfaction of the conditions to the release of the escrow proceeds as described in ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'', the Initial Purchasers of the Notes will deposit the gross proceeds from the offering of each series Notes into segregated escrow accounts (the ''Escrow Accounts'') for the benefit of the holders of the applicable Notes. The Escrow Accounts will be controlled by the Escrow Agent, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the applicable Notes. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*''. The proceeds of the Notes will be released to the Issuer upon delivery of an officer's certificate to the Escrow Agent to the effect that, among other things, the Acquisition will be consummated promptly upon such release. If the conditions for the release of escrow proceeds are not satisfied prior to April 30, 2015 or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption at 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any.
- On or around the Issue Date, the Issuer will enter into the €5,600 million (equivalent) Numericable Group Term Loan. The borrowers thereunder may draw the Numericable Group Term Loan on two occasions at any time (subject to compliance with certain conditions) on or prior to the earlier of (a) the date on which the portion of the lenders' commitments under the Numericable Group Term Loan not related to the Refinancing Transactions cease to exist by virtue of the Acquisition being abandoned or funded by other means, (b) July 31, 2014 unless the exclusivity granted to the Issuer

in respect of the Acquisition has been extended or (c) April 30, 2015. The first drawdown under the Numericable Group Term Loan shall be in an amount of up to €2,750 million and will be utilized to complete the Refinancing Transactions and pay associated fees and expenses. The remaining amount available under the Numericable Group Term Loan shall be drawn on the Completion Date.

- On or prior to the Completion Date, the Issuer will undertake the Rights Issue comprising of the issuance of ordinary shares with preferential subscription rights to its existing shareholders in an aggregate amount of €4,732 million (the ''Rights Issue''). Altice France has entered into a binding commitment to exercise all preferential subscription rights to be allocated to it pursuant to the Rights Issue (including the rights relating to the ordinary shares to be acquired from Cinven and Carlyle), amounting to €3,530 million (assuming further that Altice France will exercise the preferential subscription right attached to the shares owned by certain minority shareholders for which it currently holds a call option). The Initial Purchasers (other than ING Bank N.V., London Branch) or their affiliates have agreed to underwrite, on a several and not a joint or joint and several basis, up to the remaining amount of €1,202 million to be raised in the Rights Issue. The completion of the Rights Issue will be subject to certain conditions and, subject to the satisfaction of these conditions, will be completed prior to the Completion Date.
- In addition, the Issuer will issue shares to Vivendi S.A. representing 20% of the shares of the Issuer (after giving effect to the Acquisition).

Revolving Credit Facilities

On or around the Issue Date, the Issuer and certain of its subsidiaries will enter into the €750 million Numericable Group Revolving Credit Facilities Agreement. €300 million of the Numericable Group Revolving Credit Facilities will be available to be drawn on or after the date of the Refinancing Transaction and the remaining €450 million will be available on or after the closing of the Acquisition.

USE OF PROCEEDS

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, (i) differences in the amount of indebtedness outstanding, (ii) the time each component of the Transactions is completed and (iii) differences from our estimates of fees and expenses and the actual fees and expenses, in each case as of the completion of the individual transactions contemplated by the Transactions. See ''*The Transactions*''.

Sources of Funds	(in € millions)	Uses of Funds	(in € millions)
Notes offered hereby[1]	6,040	Cash Consideration for the Acquisition[4]	13,500
Numericable Group Term Loan[2]	5,600	Refinancing Transactions[5]	2,530
Rights Issue[3]	4,732	Fees and expenses[6]	342
of which Altice S.A. (74.6%)	*3,530*		
of which the public (25.4%)	*1,202*		
Total sources	**16,372**	**Total uses**	**16,372**

(1) Pending satisfaction of the conditions to the release of the escrow proceeds as described in ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'', the Initial Purchasers will deposit the gross proceeds from the offering of each series of the Notes into segregated Escrow Accounts for the benefit of the holders of the applicable series of Notes. The Escrow Accounts will be controlled by the Escrow Agent and pledged on a first ranking basis in favor of the applicable Trustee on behalf of the holders of the applicable series of Notes. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*''. These amounts are based on an exchange rate as of March 31, 2014 of €1.375 = $1.00.

(2) On or around the Issue Date, the Issuer will enter into the €5,600 million (equivalent) Numericable Group Term Loan. The Issuer may draw under the Numericable Group Term Loan on two occasions at any time on or prior to the earlier of (a) the date on which the portion of the lenders' commitments under the Numericable Group Term Loan not related to the Refinancing Transactions cease to exist by virtue of the Acquisition being abandoned or funded by other means and (b) July 31, 2014 unless the exclusivity granted to the Issuer in respect of the SFR Acquisition has been extended, or (c) April 30, 2015. The first draw under the Numericable Group Term Loan shall be in an amount of up to €2,750 million and will be utilized to complete the Refinancing Transactions and pay associated fees and expenses. The remaining amount available under the Numericable Group Term Loan shall be drawn on the Completion Date.

(3) On or prior to the Completion Date, the Issuer will undertake the Rights Issue comprising of the issuance of ordinary shares with preferential subscription rights to its existing shareholders in an aggregate amount of €4,732 million (the ''Rights Issue''). Altice France has entered into a binding commitment to exercise all preferential subscription rights to be allocated to it pursuant to the Rights Issue (including the rights relating to the ordinary shares to be acquired from Cinven and Carlyle, amounting to €3,530 million (assuming further that Altice France will exercise the preferential subscription rights attached to the shares owned by certain minority shareholders for which it currently holds a call option). The Initial Purchasers or their affiliates (other than ING Bank N.V., London Branch) have agreed to underwrite, subject to certain conditions and on a several and not a joint or joint and several basis, up to the remaining amount of €1,202 million to be raised in the Rights Issue.

(4) Represents the cash consideration payable to Vivendi in connection with the Acquisition (including, pursuant to the refinancing of the €5,095 million outstanding debt under an intercompany loan between Vivendi S.A. and SFR). In addition, upon completion of the Transactions, Vivendi will be issued shares representing 20% of the share capital of the Issuer (after giving effect to the Transactions).

(5) Represents the refinancing of €2,638 million of indebtedness of the Issuer and its subsidiaries outstanding under the Ypso France Senior Facility Agreement (excluding accrued interest), including the February 2012 Notes, and the October 2012 Notes and is net of €108 million of estimated cash on hand as of the Issue Date. This amount may differ from the estimated amount due to additional operating cash flow generated prior to the completion of the Refinancing Transactions, depending on the timing of the completion of the Refinancing Transactions.

(6) This amount reflects our estimate of the amount of proceeds which will be used to pay the fees and expenses related to the Transactions, including commitment, placement, financial advisory and other transaction costs and professional fees and make-whole costs on the February 2012 Notes and the October 2012 Notes. The total amount may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the various transactions contemplated by the table above. Any additional fees and expenses would be paid with the cash on hand of the Company.

CAPITALIZATION

The following table sets forth, in accordance with IFRS, the Group's consolidated cash and cash equivalents and indebtedness as of December 31, 2013 on an actual basis and as adjusted to give effect to the Transactions, including the offering of the Notes hereby and the funding of the Numericable Group Term Loan and the use of proceeds therefrom, as if such transactions had occurred on December 31, 2013. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Transactions. The impact of any derivative instruments that we may enter into to manage foreign currency risk associated with the Notes and the Numericable Group Term Loan has not been reflected in the as adjusted data presented in the table.

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 Numericable Group*'', ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR*'', ''*Description of Other Indebtedness*'' and the financial statements and related notes thereto a free 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, 2013 of $1.379 = €1.00.

	As of December 31, 2013	
	Actual	**As Adjusted**
	(in € millions)	
Cash and cash equivalents	101	—
Financial debt:		
Ypso France Senior Facility(1)	2,638	—
Notes offered hereby(2)	—	6,040
Numericable Group Term Loan(3)	—	5,600
Numericable Group Revolving Credit Facilities(4)	—	—
Numericable Group Finance Leases	41	41
SFR Finance Leases	—	11
Other Liabilities	3	3
Total debt(5)	2,682	11,695

(1) Reflects the aggregate principal amount of indebtedness of the Numericable Group outstanding under the Ypso France Senior Facility Agreement, which also includes (i) €234.1 million outstanding under the February 2012 Notes, and (ii) €146.3 million outstanding under the October 2012 Notes. This amount excludes €16.4 million of accrued interests and is gross of €22.1 million of capitalized fees. The Issuer will use a portion of the proceeds under the Numericable Group Term Loan to refinance such indebtedness.

(2) Reflects the issuance of Dollar Senior Secured Notes and the Euro Senior Secured Notes offered hereby. Pending satisfaction of certain conditions to the release of the escrow proceeds, the Initial Purchasers will deposit the gross proceeds from the offering of each series of Notes into segregated escrow accounts for the benefit of the holders of the Notes of applicable series. This amount excludes the capitalized fees.

(3) On or around the Issue Date, the Issuer will enter into the €5,600 million (equivalent) Numericable Group Term Loan. The first draw under the Numericable Group Term Loan shall be in an amount of up to €2,750 million and will be utilized to complete the Refinancing Transactions and pay associated fees and expenses. The remaining amount available under the Numericable Group Term Loan shall be drawn on the Completion Date. This amount excludes the capitalized fees.

(4) On or around the Issue Date, Numericable will enter into the Numericable Group Revolving Credit Facilities Agreement with, among others, the lenders party thereto. The Numericable Group Revolving Credit Facilities will allow borrowings by Numericable up to a maximum of €750 million, of which €300m of the Numericable Group Revolving Credit Facilities will be available to be drawn on or after the date of the Refinancing Transactions and the remaining €450 million will be available on or after the Completion Date. The Numericable Group Revolving Credit Facilities will not be drawn on the Issue Date.

(5) Excludes (i) customer deposits of €51.9 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 and (ii) the aggregate €23.8 million perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez (excluding capitalized interest) (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, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information, which includes an unaudited pro forma condensed consolidated financial position and unaudited pro forma condensed consolidated statement of income, which give effect to the Transactions, as defined elsewhere in this offering memorandum, are presented in millions of euros and assumes that (i) the acquisition of SFR, SIG 50 and their subsidiaries (together the ''SFR Group'') by Numericable Group was completed on January 1, 2013; and (ii) the financing of the Acquisition and the Refinancing Transactions occurred on January 1, 2013 instead of the Issue Date in the pro forma condensed consolidated income statement (the above mentioned transactions are referred as ''the Transactions'') and that the Transactions occurred on December 31, 2013 in the pro forma condensed consolidated financial position (in this section the above described unaudited pro forma condensed consolidated financial information are referred to as the ''Unaudited Pro Forma Condensed Consolidated Financial Information'').

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared in accordance with the basis of preparation described in the accompanying ''Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information''. The pro forma adjustments are based upon available information and certain assumptions that management of Numericable Group believes are reasonable.

The Unaudited Pro Forma Condensed Consolidated Financial Information is presented for illustrative purposes only and is not indicative of the result of operations or the financial position that Numericable Group would have been achieved had the Transactions occurred as at January 1, 2013 in the pro forma condensed consolidated income statement and as at December 31, 2013 in the pro forma condensed consolidated financial position, nor is the Unaudited Pro Forma Condensed Consolidated Financial Information indicative of the future operating results or financial position of Numericable Group. The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any cost savings or other synergies which may result from the Acquisition and does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs which may be incurred as a result of the Acquisition, which cannot be identified at this stage and which are not expected to have a continuing impact on the Group.

Such Unaudited Pro Forma Condensed Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards.

In addition, the financial effects of any actions described in the offering memorandum, such as synergies or the effect of asset dispositions, if any, that may be required by regulatory authorities, cannot currently be determined and therefore are not reflected in the Unaudited Pro Forma Condensed Consolidated Financial Information.

The Unaudited Pro Forma Condensed Consolidated Financial Information has been derived from and should be read in conjunction with the respective consolidated financial statements of Numericable Group and the combined financial statements of SFR Group as of and for the year ended December 31, 2013, free translations of each being included elsewhere in this offering memorandum.

The Unaudited Pro Forma Condensed Consolidated Financial Information is based on preliminary estimates and assumptions, which Numericable Group believes to be reasonable. In particular, in the unaudited pro forma condensed consolidated financial position, any difference between (a) the total consideration transferred measured in accordance with IFRS 3 *Business Combinations* (''IFRS 3'') and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, has been allocated to goodwill. Definitive allocations will be performed and finalized based upon certain valuations and other studies that will be performed with the services of outside valuation specialists after the closing of the Acquisition. Accordingly, the determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Condensed Consolidated Financial Information and is subject to revision based on a final determination of fair value of assets acquired and liabilities assumed after the closing of the Acquisition. The determination of the fair value of assets acquired and liabilities assumed will result in the recognition of certain identifiable assets acquired such as licenses, trademarks and customer base which will have a finite life and will be amortized. As a result, the future results of operations of the Combined Group may be significantly affected by amortization expense in relation to such identifiable assets acquired.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Proforma adjustments		2013 Numericable Group Proforma Financial Information
			Amount	Note	
Revenue	1,314	10,199	(42)	***3.a***	11,472
Operating expenses	(1,058)	(9,194)	39	***3.b***	(10,214)
Operating income	256	1,005	(3)		1,258
Finance costs	(324)	(251)	(366)	***3.c***	(940)
Income tax expense (income)	133	(315)	7	***3.d***	(175)
Share in net income (loss) of associates	—	(12)	—		(12)
Net income (loss)	65	426	(362)		129
—Attributable to owners of the entity	*65*	*420*	*(362)*	***3.e***	*123*
—Attributable to non-controlling interests	—	*6*	—	***3.e***	*6*

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Proforma adjustments Amount	Proforma adjustments Note	2013 Numericable Group Proforma Financial Information
Goodwill	1,484	5,188	5,351	*3.f*	12,023
Other intangible assets	307	3,931	—		4,238
Property, plant and equipment	1,465	4,532	(7)	*3.g*	5,990
Investment in associates	3	152	—		155
Other non-current financial assets	7	185	—		192
Deferred tax assets	133	127	—		260
Non-current assets	**3,399**	**14,115**	**5,344**		**22,857**
Inventories	50	240	—		290
Trade receivables and other receivables	403	2,555	(19)	*3.g*	2,939
Other current financial assets	4	2	—		6
Income tax receivable	3	3	—		6
Cash and cash equivalents	101	394	(495)	*3.h*	—
Assets classified as held for sale	—	—	—		—
Current assets	**561**	**3,194**	**(514)**		**3,241**
Total assets	**3,960**	**17,309**	**4,830**		**26,099**

LIABILITIES	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Proforma adjustments Amount	Proforma adjustments Note	2013 Numericable Group Proforma Financial Information
Total invested equity	**254**	**2,291**	**4,341**	*3.i*	**6,886**
Non-current financial liabilities	2,702	1,248	7,650	*3.j*	11,600
Non-current provisions	74	156	—		230
Deferred tax liabilities	—	2	—		2
Other non-current liabilities	103	540	746	*3.k*	1,388
Non-current liabilities	**2,878**	**1,946**	**8,396**		**13,220**
Current financial liabilities	64	7,846	(7,889)	*3.j*	22
Current provisions	6	335	—		341
Trade payables and other current liabilities	757	4,891	(19)	*3.l*	5,630
Current income tax liabilities	—	—	—		—
Liabilities classified as held for sale	—	—	—		—
Current liabilities	**828**	**13,072**	**(7,907)**		**5,993**
Total equity and liabilities	**3,960**	**17,309**	**4,830**		**26,099**

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

NOTE 1. GENERAL INFORMATION AND DESCRIPTION OF THE ACQUISITION

The Acquisition, the Financing of the Acquisition and the Refinancing Transactions are described in the section entitled ''The Transactions'' contained elsewhere in this offering memorandum.

On April 5, 2014, the Numericable Group submitted an offer to acquire SFR from Vivendi S.A. (which was selected by Vivendi's Supervisory Board and is subject to works council procedures and to certain conditions precedent, including antitrust approval). References herein to the ''Numericable Group'' or the ''Group'' are to Numericable Group S.A. or to Numericable Group S.A. and its subsidiaries as the context requires. References herein to ''SFR'' or the ''SFR Group'' are to SFR or to SFR and its subsidiaries as the context requires.

The accompanying unaudited pro forma condensed consolidated statement of income for the twelve-month period ended December 31, 2013 and the accompanying unaudited pro forma condensed consolidated statement of financial position as of December 31, 2013 present the pro forma financial information of the Numericable Group, giving effect to the Transactions described in the basis of preparation below. The Unaudited Pro forma Condensed Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities and Exchange Commission, the EU Prospectus Directive or any generally accepted accounting standards, nor has it been audited or reviewed.

The Unaudited Pro Forma Condensed Consolidated Financial Information consists of a pro forma condensed consolidated income statement for the twelve months ended December 31, 2013 and a pro forma condensed consolidated financial position as at December 31, 2013. This pro forma financial information has been prepared based on the consolidated financial statements of Numericable Group and the combined financial statements of SFR Group respectively as of and for the year ended December 31, 2013.

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The following adjustments give pro forma effect to events that are (1) directly attributable to the above mentioned Transactions and; (2) factually supportable. These adjustments are described in these notes.

NOTE 2. BASIS OF PREPARATION

The Unaudited Condensed Consolidated Pro Forma Financial Information has been prepared to give effect to the Transactions as if they occurred on January 1, 2013 for the purposes of the unaudited condensed consolidated pro forma statements of income. Pro forma adjustments related to the unaudited pro forma condensed consolidated statement of financial position are computed assuming the Transactions were completed on December 31, 2013.

As all pro forma adjustments are directly attributable to the Transactions, the Unaudited Condensed Consolidated Pro Forma Financial Information does not reflect any restructuring expenses that may be incurred in connection with the Acquisition (see Note 4 which discusses certain other items directly attributable to the Transaction and which have been excluded from the pro forma adjustments).

Only adjustments that are factually supportable and that can be estimated reliably at the date the Unaudited Condensed Consolidated Pro Forma Financial Information is prepared have been taken into account. For instance, the Unaudited Condensed Consolidated Pro Forma Financial Information does not reflect any cost savings potentially realizable from the elimination of certain expenses or from synergies. The Unaudited Condensed Consolidated Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs that may be incurred as a result of the Acquisition. Material non-recurring items that are directly attributable to the Transactions and that can be factually supported and reliably estimated are included in the pro forma adjustments.

There are certain differences in the way in which the Numericable Group and the SFR Group present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the unaudited pro forma condensed consolidated financial information statements of income to comply with the Numericable Group's presentation (see Note 6). There could be additional reclassifications following completion of the Acquisition.

Upon completion of the Acquisition, any transactions that occurred between Numericable Group and SFR Group will be considered intercompany transactions. Balances and transactions between Numericable Group and SFR Group as of and for the period presented have been eliminated as noted below.

Accounting treatment of the Acquisition

Due to the listing of the Numericable Group's shares on the Euronext Paris SA and in accordance with EC Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Numericable Group and its subsidiaries, included elsewhere in this offering memorandum, are prepared in accordance with IFRS as adopted by the European Union (''IFRS'').

Numericable Group intends to account for the Acquisition as a business combination and will measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values in accordance with IFRS 3. The measurement of the acquirer's assets and liabilities is not affected by the Acquisition. The Acquisition is not expected to be completed until the fourth quarter of 2014 and the initial accounting for the Acquisition will not be finalized by the end of 2014. The consolidated financial statements for the year ended December 31, 2014 will be prepared based on provisional amounts for certain assets acquired and liabilities assumed for which the accounting is incomplete. During the measurement period, such provisional amounts recognized at the acquisition date could be adjusted up until one year from the closing date of the Acquisition, in accordance with IFRS 3.

Based on the analysis of all factors set forth in IFRS 3, paragraphs B13-B18, and the facts known to date, management of the Numericable Group assumes that, under IFRS, Numericable Group will be considered the acquirer and SFR the acquiree. In particular, it is expected that Altice, which currently controls the Numericable Group, will have a majority representation at the Board of Directors of the Group, following completion of the Acquisition.

Description of the Acquisition, the Financing of the Acquisitions and the Refinancing Transactions

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared under the following assumptions, as explained in the following table (see the Use of Proceeds section of this offering memorandum):The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, (i) differences in the amount of indebtedness outstanding, (ii) the time each component of the Transactions is completed and (iii) differences from our estimates of fees and expenses and the actual fees and expenses, in each case as of the completion of the individual transactions contemplated by the Transactions. See ''*The Transactions*''.

Sources of Funds	(in € millions)	Uses of Funds	(in € millions)
Notes offered hereby	6,040	Cash Consideration for the Acquisition	13,500
Numericable Group Term Loan	5,600	Refinancing Transactions[(1)]	2,530
Rights Issue	4,732	Fees and expenses	342
of which Altice S.A. (74.6%)	*3,530*		
of which the public (25.4%)	*1,202*		
Total sources	**16,372**	**Total uses**	**16,372**

(1) Represents the refinancing of €2,638 million of indebtedness of the Issuer and its subsidiaries outstanding under the Ypso France Senior Facility Agreement (excluding accrued interest), including the February 2012 Notes, and the October 2012 Notes and is net of €108 million of estimated cash on hand as of the Issue Date. This amount may differ from the estimated amount due to additional operating cash flow generated prior to the completion of the Refinancing Transactions, depending on the timing of the completion of the Refinancing Transactions.

- The planned acquisition by Numericable Group S.A. of 100% of the share capital of SFR.
- The issuance by subsidiaries within the Group of a new financing package (hereinafter referred to as the ''Debt Issuance'' or ''New Financing Package'') for an aggregate amount of €11,640 million to finance the contemplated acquisition of the SFR Group.
- The payment of €13,500 million in cash to Vivendi which includes the repayment by SFR of its intercompany loan towards Vivendi for €5,000 million by using a portion of the proceeds of the Debt Issuance as explained above.
- The repayment by Numericable Group of its existing finance liabilities under the Senior Facility Agreement for a total amount of €2,638 million by using a portion of the proceeds of the Debt Issuance as explained above.
- The borrowing costs on the aforementioned drawn amount which are not estimated to be eligible for inclusion in the amortized cost have been included in the unaudited condensed consolidated pro forma statements of income for the twelve-month period ended December 31, 2013, as if the New Financing Package had been in place at the beginning of the period.
- As mentioned above, given the timing of the Acquisition, assets acquired and liabilities assumed of SFR Group are reflected in the unaudited pro forma condensed consolidated statement of financial position as of December 31, 2013 at their historical book value reflected in the 2013 Combined Financial Statements of SFR, and have not been adjusted. The determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Condensed Consolidated Pro Forma Financial Information and is subject to revision based on a final determination of fair value after the closing of the Acquisition. Under IFRS, goodwill is not amortized, but is tested for impairment at least annually, and therefore, the unaudited pro forma condensed consolidated statement of income does not include any amortization expense in relation to the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of operations of the Numericable Group may be significantly affected by amortization expense in relation to such identifiable assets acquired.

Intercompany transactions between entities included in the Unaudited Pro Forma Condensed Consolidated Financial Information have been eliminated from the Unaudited Pro Forma Condensed Consolidated Financial Information, based on the available data at Numericable Group's level.

Historical financial information

The Unaudited Pro Forma Condensed Consolidated Financial Information should be read in conjunction with the notes thereto as well as the historical consolidated financial statements of Numericable Group prepared in accordance with IFRS as adopted by the European Union and the historical combined financial statements of SFR prepared in accordance with IFRS as adopted by the European Union, each of which have been included elsewhere in this offering memorandum. As mentioned in the section ''Presentation of Financial and Other Information'' of the offering memorandum, the consolidated financial statements of Numericable Group as of and for the year ended December 31, 2013, prepared in accordance with IFRS as adopted in the European Union, have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG SA and the combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013, have been audited by KPMG Audit, a department of KPMG S.A. and Ernst & Young et Autres.

SFR Financial Information

This financial information of Numericable Group S.A. has been supplemented by the financial information of the SFR Group derived from the combined financial statements of SFR S.A., SIG 50 S.A. and their subsidiaries as of and for the three-year period ended December 31, 2013, prepaid in accordance with IFRS as adopted by the European Union.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of SFR Group have been modified in order to present the financial information of SFR Group according to the same presentation principles as those applied by Numericable Group in its consolidated financial statements as of and for the year ended December 31, 2013. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the SFR Group to present the Unaudited Pro Forma Condensed Consolidated Financial Information that is aligned with the presentation and classification criteria applied by the Numericable Group in the preparation of its historical consolidated financial statements. All the financial information and historical financial statements and related audit reports are included elsewhere in this offering memorandum. There could be additional reclassifications following completion of the Acquisition.

NOTE 3. PRO FORMA ADJUSTMENTS

Unless otherwise indicated, pro forma adjustments are determined before tax effect.

(a) Intercompany revenues between the Numericable Group and SFR have been eliminated for an amount of €42 million.

(b) Intercompany operating expenses between Numericable Group and SFR have been eliminated for an amount of €39 million.

(c) The pro forma adjustments of finance costs (additional expense of €+366 million) include:

- the additional interests related to the New Financing Package as disclosed above for a total amount of €+665 million (including borrowing costs amortized over the length of the new financing package). Those interests have been computed using estimations in term of interest rates (using the amortized cost method) that rely on rating assumptions and market conditions estimated at the end of March 2014.
- Actual interest rate paid on the New Financing Package could differ from this estimate based on future events such as rating and market conditions, among other things, which are events outside of our control, and this could significantly affect the consolidated statement of income of the Group.
- the cancellation of the interests related to the Numericable Group's Senior Facilities as the Senior Facilities will be reimbursed as a result of the refinancing. Those interests amounted to €(188) million in 2013;
- the cancellation of the finance interests related to the financial liabilities of SFR to be reimbursed before or during the closing of the Transactions (for a total amount of €9,083 million). Those finance costs amounted to €(231)million in 2013;
- transactions costs related to the acquisition and refinancing (other than borrowing costs related to the issuance of the new financing package) for an amount of €120 million including make-whole that are expected to be paid by Numericable Group in connection with the refinancing of Numericable Group's existing Notes for €90 million (based on an assumed call date as at June 15, 2014) and other fees for €30 million. These costs are not expected to have a continuing impact on the Group.

(d) An income tax charge of €7 million has been reflected in the unaudited pro forma condensed consolidated statement of income in conjunction with the pro forma adjustments impacting SFR profit before tax.

    Considering the amount of existing tax losses at Numericable Group, no income tax entries have been considered necessary on the pro-forma adjustments impacting Numericable Group historical perimeter (in particular on the pro forma adjustments affecting finance costs discussed in (c) above).

(e) It has been assumed that none of the above adjustments impacted non-controlling interests.

(f) This adjustment relates to additional goodwill determined in connection with the Acquisition. Its computation takes into account (i) the write-off of historical goodwill recognized at SFR for €5,188 million and (ii) the preliminary amount of goodwill determined in connection with the acquisition of the SFR Group (€10,539 million) and representing the difference between:

- the consideration transferred of €16,320 million, which includes:
    i. Numericable Group's shares against the contribution in kind from Vivendi for an estimated amount of €2,070 million in exchange for the contribution in SFR shares made by Vivendi (corresponding to 20% of Numericable Group, following the Acquisition, estimated new

market capitalization including Numericable Group actual estimated market capitalization of Numericable Group calculated using a share price of €28.64 plus the amount of the two share capital increases disclosed hereafter). In accordance with IFRS, this consideration will have to be estimated at the fair value of the shares at the date of the Right Issue, which could differ significantly from this estimated amount and therefore could significantly affect the amount of goodwill;

ii. the price paid in cash by the Numericable Group to Vivendi for €13,500 million

iii. the potential earn-out estimated to be €750 million, such amount being contingent upon certain events. In accordance with IFRS 3, this contingent consideration will have to be estimated at the fair value as of the date of the Acquisition, which could differ significantly from this estimated amount and therefore could significantly affect the amount of goodwill and net income.

- the net assets acquired of SFR Group as their historical amounts as if the acquisition took place as at December 31, 2013. The value of the equity acquired (€5,781 million) has been computed as the aggregation of (i) the combined equity of SFR Group as at December 31, 2013 for €2,280 million minus (ii) the effect of derecognizing the historical goodwill balance for €5,188 million plus (iii) the amount of financial liabilities of SFR Group reimbursed before closing or at closing for an estimated amount of €9,083 million minus (iv) the amount of cash of SFR Group as at December 31, 2013 that will be repaid to Vivendi for €394 million at closing (see h).

It is to note that historical amounts of intangible assets recognized at SFR, including but not limited to licenses, trademarks or customer bases, have been maintained at their historical amount in determining the preliminary amount of goodwill. Such amounts will have to be measured at their acquisition-date fair values, which could differ significantly from the historical amounts, and goodwill determined as a result could be significantly different.

(g) These pro forma adjustments correspond to the elimination of intercompany positions.

(h) Cash and cash equivalents have been adjusted as follows:

- The sources and uses of the funds necessary to consummate the Transactions. Please refer to the Use of Proceed table disclosed in the above basis of preparation and the Use of Proceeds section of this offering memorandum;
- The cash position of SFR as at December 31, 2013 (€394 million) has been cancelled as it is assumed that SFR will be sold to Numericable Group free of cash;
- The cash position of Numericable Group as at December 31, 2013 (€101 million) has also been cancelled as it is assumed that this cash will be fully used to finance part of the repayment of Numericable Group existing Senior Facilities.

(i) Pro forma adjustments to total invested equity is mainly explained by to the following adjustments:

- the removing of the historical net equity of SFR: €2,280 million decrease;
- the share capital increase paid up in cash of €4,732 million (including €1,202 million through a public offering and €3,530 million subscribed by Altice S.A., the majority shareholder of Numericable Group) less the fees paid in connection with this share capital increase for an amount estimated to €35 million. This capital increase is subject to the approval of the general shareholders' meeting of the Numericable Group, being noted that Altice S.A. has entered into a binding commitment to exercise all preferential subscription rights to be allocated to it pursuant to the Right Issue amounting to €3,530 million, and that certain financial institutions have agreed to underwrite, subject to certain conditions, up to the remaining amount of €1,202 million to be raised in the Right Issue;
- the share capital increase paid up by contribution in shares made by Vivendi for the benefit of Numericable Group for €2,070 million, as explained in (f). This capital increase is also subject to the approval of the general shareholders' meeting of Numericable Group.

(j) Refinancing Transactions

The pro forma adjustments related to the Refinancing Transactions are mainly composed as follows:

- Issuance of Senior Secured Notes for an estimated total amount of €6,040 million;
- Issuance of Senior Secured Term Loans for an estimated total amount of €5,600 million;
- The borrowing costs directly related to the debt issuances disclosed above have been deducted from the pro forma financial liabilities for €186 million as at December 31, 2013 (in accordance with the amortized costs method);
- The repayment of the Numericable Group's financial liabilities under its existing Senior Facility Agreement for €2,638 million;
- The unamortized part of the borrowing amortized costs related to the NG's financial liabilities under the existing Ypso France Senior Facility Agreement have been eliminated as at December 31, 2013 and therefore increased the pro forma financial liabilities by €22 million as at December 31, 2013;
- The repayment of the SFR Group loans for an amount of €9,083 million.

(k) Adjustments made to pro forma Other non-current liabilities (€+746 million) include:

- the elimination of intercompany positions for minus €4 million;
- the potential earn-out estimated to be €750 million, such amount being contingent upon certain events as explained in (f).

(l) Adjustments made to pro forma ''Trade payables and other liabilities'' correspond to the elimination of intercompany transactions for €19 million.

NOTE 4. ITEMS DIRECTLY ATTRIBUTABLE TO THE ACQUISITION AND EXCLUDED FROM THE PRO FORMA ADJUSTMENTS

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any cost savings or other synergies which may result from the Acquisition or the effect of asset dispositions, if any, that may be required by regulatory authorities.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions (for example related to the Vivendi Shares' stock options granted to SFR employees), which cannot be identified at this stage and which are not expected to have a continuing impact on the Group.

A portion of the Notes and the Numericable Group Term Loan will be US dollar-denominated. The estimated amount of such amount of Notes and the Numericable Group Term Loan which are to be U.S. dollar denominated have been converted into euros assuming a 1€ = 1.375$. While it is the intention of the Combined Group to hedge the interest-rate risk as well as the foreign-currency risk, the Unaudited Pro Forma Condensed Consolidated Financial Information does not include any adjustment in relation to derivative financial instruments entered into for the purposes of hedging the US dollar-denominated Senior Notes.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not include any deferred tax assets related to loss carry forwards of Numericable Group and SFR not recognized in their respective historical financial statements, as it is not possible to assess whether the utilization of such tax losses in the future is probable. In its historical financial statements for the year ended December 31, 2013, Numericable Group has recorded an income tax benefit of €133 million. For the purposes of preparing the Unaudited Pro Forma Condensed Consolidated Financial Information, this income tax benefit has not been eliminated in arriving at pro forma net income, as any potential adjustment would not be directly related to the Acquisition.

In addition, the Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any adjustment or tax effect that would result from the exit of SFR from the tax consolidation group of Vivendi.

NOTE 5. RECONCILIATION BETWEEN OPERATING INCOME AND ADJUSTED EBITDA

The following table explains the reconciliation between pro forma operating income as disclosed in the pro forma condensed consolidated statement income and the proforma Adjusted EBITDA.

Please refer to the section *Presentation of Financial and Other Information—Non-IFRS Financial Measures* included elsewhere in this offering memorandum for a discussion of the limitations of Adjusted EBITDA as a non-IFRS financial measure.

	2013 Numericable Group	2013 SFR	Pro Forma adjustments	2013 Numericable Group Pro Forma
Operating income	**256**	**1,005**	**(3)**	**1,258**
Depreciation and amortization	304	1,661 (c)		1,965
Restructuring costs	1 (a)	93 (d)		94
Other non recurring costs	38 (b)	—		38
Costs related to stock options plans	4	27 (e)		31
CVAE	13	53 (f)		65
Other costs/(revenues)	—	7 (g)		7
Adjusted EBITDA	**616**	**2,846**	**(3)**	**3,459**

(a) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Telecom;

(b) Composed of advisory fees paid in connection with the Numericable Group's refinancing transactions (€4.9 million); provisions/costs related to tax and social security audits (€11.3 million); an exceptional charge recognized for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce; an exceptional charge recognized for the €6.1 million penalty relating to the dispute with Free (see Note 20.7.2. to the consolidated financial statements for the year ended December 31, 2013); and €14.7 million non-cash losses resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers and (ii) the transfer of remaining net book value of assets returned to local governments in connection with the exiting of DSP contracts.

(c) €729 million depreciation and amortization on intangible fixed assets (refer to Note 9.2 to the 2013 combined financial statements of SFR) and €932 million depreciation and amortization on tangible fixed assets (refer to Note 10.2 to the 2013 combined financial statements of SFR).

(d) Restructuring costs mainly related to the SFR voluntary redundancy plan launched in 2012 (refer to Note 4.2 the 2013 combined financial statements of SFR).

(e) IFRS 2 related expenses as mentioned in Note 17.2 to the 2013 combined financial statements of SFR.

(f) The amount of CVAE for SFR is not disclosed in the 2013 combined financial statements of SFR.

(g) Includes €2 million other operating income and €10 million other operating costs, as described in Note 4.2 to the 2013 combined financial statements of SFR.

The Adjusted EBITDA is a non-IFRS financial measure which excludes certain items that Numericable Group considers outside of its recurring operating activities or that are non-cash. This indicator does not exist in SFR available financial information. Therefore Numericable Group has tried to identify similar adjustments based on information disclosed in the 2013 combined financial statements of SFR. Considering this, the adjustments made to the SFR Operating Income to get to the Adjusted EBITDA may not be entirely comparable to those made to the Numericable Group operating income and may not be exhaustive.

NOTE 6. SUMMARY OF RECLASSIFICATIONS MADE TO SFR FINANCIAL INFORMATION

There are certain differences in the way in which Numericable Group and SFR Group present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the unaudited pro forma condensed consolidated financial information to comply with Numericable Group's presentation, as disclosed in the following table:

	SFR 2013 Combined Financial Statements	Reclassifications	SFR 2013 as presented in the Pro Forma Financial Information
ASSETS			
Trade receivables and other receivables	2,558	(3)	2,555
Income tax receivable	—	3	3
EQUITY AND LIABILITIES			
Trade payables and other current liabilities	4,874	17	4,891
Other current financial liabilities	17	(17)	—

INDUSTRY, COMPETITION AND MARKET OVERVIEW

In this section, the terms "Group", "we", "our" and "us" refer to the combined business comprising Numericable and SFR, unless the context in which such terms appear otherwise requires.

The French telecommunications market is the third largest in Europe, with total revenues of approximately €48 billion in 2013 (Source: IDC, ScreenDigest). While the Group operates in all segments of the French telecommunications market, its core focuses are on the most attractive sectors: very-high-speed fixed broadband, pay-TV, mobile and next generation B2B services. France is one of the largest fixed broadband Internet access markets in Europe, with approximately 24.9 million fixed broadband subscriptions as of December 31, 2013 (Source: ARCEP). Higher bandwidth is becoming more important to B2C and while only 10% of broadband lines in France were very high speed as of December 31, 2013 (Source: IDC), which remains low, however, compared to other European markets, the penetration rate for very-high-speed broadband (including fiber and cable connections) is expected to increase at an average annual rate of 31% between 2013 and 2017 and to reach 28% of broadband lines in France expected by 2017 (Source: IDC). In mobile, the total number of customers has been continuously increasing, from 70 million as of December 31, 2012 to 76.7 million as of December 31, 2013 (Source: ARCEP), supported by the dynamism of the market in France: increasing mobile, smartphone or tablet equipment penetration rate as well as growth in quadruple-play offerings. However the mobile market has been slightly declining in value, with subscription prices under pressure, following the disruptive entrance of a fourth mobile operator at the beginning of 2012. Mobile subscription prices in France have now reached levels that are among the lowest in Europe for comparable offers (please see source data below). In the B2B telecommunications segment, data consumption has increased and data needs have become more complex, with the next generation services increasingly sought in the market requiring higher broadband speeds and bandwidth. B2B data consumption is expected to continue to grow (Source: IDC).

B2C Market

The Group operates in metropolitan France, which as of December 31, 2013 had a population of approximately 66 million inhabitants and approximately 29 million households (Source: IDC). As of December 31, 2013, Numericable's network passed approximately 9.9 million homes, or 35% of French homes, while SFR had a near nationwide DSL network covering approximately 23 million French households.

The French B2C broadband market is a mature market, with 24.9 million broadband connections as of December 31, 2013 (Source: ARCEP), representing approximately 87% of French households. In terms of access to very high speed broadband, defined by the ARCEP as broadband allowing for speeds above 30 Mbps, however, the French market is underpenetrated, with only approximately 8% of households having access to very high speed broadband in as of December 31, 2013 (Source: ARCEP). This level of penetration is low compared to France's neighbors; as of 2013, the rate was 58% in Belgium, 59% in the Netherlands and 24% in Western Europe, respectively (Source: IDC). The Group believes that such under-penetration presents an attractive growth opportunity as residential customers look increasingly for higher speed and bandwidth capacity in their Internet consumption. This opportunity is all the more attractive given that the use of cable and fiber lines in France is estimated to grow 34% per annum between 2013 and 2017 (Source: IDC).

The French fixed broadband market is one of the most competitive in Europe, with high unbundling and strong historic competitors. Orange's fixed-line network includes a local loop covering all of the French population, and unbundling provides competitors such as Bouygues Télécom and Iliad (Free) with access to it at a price regulated by a French regulatory agency. According to an April 2013 ARCEP press release, 86.3% of the French population was able to access competitive retail services due to unbundling, which makes France one of the European leaders in unbundling. All operators with significant market power must offer unbundled access to their local loop and associated facilities under non-discriminatory conditions, which increases competitive pressure in the market. See "*Regulation—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications*."

The French B2C mobile market is a mature market, although it has experienced significant changes over the past years with the entry of a fourth mobile operator in January 2012. Mobile telephony penetration in France has been increasing steadily, from a penetration rate for the total population of approximately 105% in 2011, to 112% in 2012 and 117% in 2013 (Source: ARCEP). The increase in data consumption on mobile devices has also accelerated, with consumer mobile data revenues in France rising from approximately €8.3 billion in 2011, to €9.0 billion in 2012 and to €9.4 billion in 2013 (Source: IDC). In 2013, SFR's 3G network covered more than 99% of the French population, while its 4G network covered 40% of the population.

Industry Convergence

The French B2C media and telecommunications markets have converged as customers seek to receive their media and communications services from a single provider at an attractive price. In response, providers offer television, broadband Internet, fixed-line and mobile telephony services bundled into integrated offerings. France is one of the most advanced quadruple-play markets in Europe, given the fully integrated and convergent nature of its four major operators. ''Quadruple-play'' offerings have been available in the French market since 2009 (Bouygues Télécom). SFR and Orange introduced quadruple-play offerings in 2010 and Numericable followed in 2011 and Free in 2012.

The size of the French B2C broadband Internet market in 2013 was approximately 4.2 billion euros (Source: IDC). The Group believes that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment needs, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. The Group believes that it has benefitted and should continue to benefit from opportunities to induce the Group's existing cable television customers to purchase complementary services such as broadband Internet, telephony and digital television.

In the French market, triple-play services are provided through two major technological distribution platforms: Numericable's fiber/cable network and the DSL-based networks of Orange, Iliad and SFR. Bi-directional fiber/cable networks are particularly well suited for the provision of triple-play services with high bandwidth requirements. Because it was originally designed for the transmission of large amounts of data, Numericable's hybrid fiber coaxial network based on FTTB technology enables it to deliver high speeds irrespective of the distance to the customer. Conversely, the actual speed of DSL-based networks varies based on the distance to the local exchange, with speed decreasing as the customer's distance from the exchange increases (maximum announced speeds are for customers located less than one kilometer from the nearest local exchange). To increase and harmonize network speed, Orange has begun investing in the build-out of an FTTH network. Iliad and SFR have also begun deploying FTTH networks. As of December 31, 2013, approximately 540,000 subscribers were connected to FTTH networks (Source: ARCEP). The Group believes that its FTTB technology represents an advantage over the FTTH technology prioritized by many of its competitors. FTTB technology allows for fiber deployment to generally reach the boundary of the Group's subscribers' building, such as the basement in a multi-dwelling unit, with the final connection to the individual living space being made via an alternative, non-optical means, typically a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows the Group to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. To date, FTTH technology deployment has been slow and costly in comparison to that of FTTB. On average, the Group incurs a capital expenditure of 50 euros per plug to deploy FTTB.

As of December 31, 2013, Numericable had a market share of approximately 4% of the broadband market based on the total number of subscribers in France (Source: ARCEP) while SFR's market share was approximately 21% leading to a combined market share of SFR and Numericable of approximately 25%. As of the same date, Orange, Free (Iliad), and Bouygues Télécom reported broadband customers of 9.7 million, 5.6 million and 2.0 million, respectively (Source: company 2013 respectively).

Broadband Internet

(a) Introduction

Broadband Internet access, often shortened to ''broadband,'' is high data rate Internet access. The International Telecommunication Union Standardization Sector recommendation I.113 has defined ''broadband'' as a transmission capacity that is faster than primary rate ISDN at 1.5 or 2 Mbps. France is one of the largest broadband Internet access markets in Europe, with approximately 24.9 million broadband subscriptions as of December 31, 2013 (Source: ARCEP). In terms of access to very high speed broadband, however, the French market is underpenetrated accounting for only 8% of total broadband connections as of December 31, 2013. The Group believes that such under-penetration is an attractive growth opportunity for it as a provider of very high speed reliable broadband Internet: as smartphones and tablets have proliferated and are used increasingly for multimedia functions, B2C customers require both higher bandwidth (to accommodate the increase in average number of screens per household) and greater download speeds (to accommodate multimedia usage).

The main broadband access technologies are DSL and fiber/cable. Analog dial-up modems, Internet access via powerline and wireless local loop technology are also available, although to a lesser extent, in France. While the current broadband penetration rate in France per number of households is in line with other European markets, the growth of broadband penetration rates tends to be faster. The broadband penetration rate, based on number of households, has increased significantly over the last five years, to approximately 87% as of December 31, 2013, compared to approximately 50% as of December 31, 2007 (Source: IDC). As of December 31, 2013, Orange, SFR, Iliad and Bouygues reported total broadband connections of 10.1 million, 5.2 million, 5.6 million and 2.0 million respectively (Source: Company FY 2013 reporting).

(b) Primary Distribution Platforms—DSL, Fiber and Cable

DSL is the leading broadband Internet access platform in France, with 22.4 million subscriptions as of December 31, 2013 and representing approximately 90% of the total French high speed and very high speed Internet market (Source: ARCEP). This results from several factors: the regulatory environment that has encouraged DSL competition through unbundling and regulated wholesale prices; the relatively recent consolidation of the cable industry in France and low level of cable connection (only 35% of French households); the fact that the cable network upgrade is relatively recent; and the relatively low levels of fiber deployment.

DSL currently offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of 200 Mbps. However, the speeds of such technologies in practice may be lower. Whereas cable is estimated to achieve 91.4% of advertised headline download speed, DSL-based services have, in certain instances, achieved only 63.3% of advertised download speed (Source: European Commission). In practice, DSL speeds depend on the distances between the local exchange and the home.

FTTH technology, which requires a direct fiber connection in the home of the user, currently offers consumers maximum speeds of 200 Mbps, with an estimated achievement of 84.4% of advertised download speeds (Source: European Commission). The main difference between FTTH networks and the Group's fiber/cable (FTTB) networks is that for FTTB networks the vertical connection (in the building) to the subscriber uses the existing coaxial cable. FTTH speeds are in theory infinite, limited only by the equipment used to deliver broadband, and not by any inherent limitations in fiber cables. FTTB speeds are, however, limited by the number of users using the connection in a building, with higher numbers of users requiring fiber deployment in the building in order to continue to achieve the same high speeds as those offered by FTTH.

FTTH deployment in France has begun slowly. The installation of such technology is capital- and time-intensive, requiring significant engineering and rewiring, both horizontally to increase the number of cities covered and vertically within buildings. The French government considers FTTH to be a significant part of its long-term investment plan and in February 2013 announced a €20 billion deployment plan and goals of 50% of the population having very high speed internet access by 2017 and 100% by 2023. The government has promised €3 billion in subsidies to local authorities in connection with FTTH deployment (Source: Investissements d'avenir—développement de l'économie numérique (Future Investments—Digital Economy Development)). Several municipalities have offered subsidies to network operators that build FTTH connections. This trend is expected to continue, due to the fact that some municipalities, districts (départements) and regions, such as Hauts-de-Seine, Amiens, and Louvin, for example, have entered into public—private partnerships to stimulate such investment. As of December 31, 2013, FTTH broadband Internet subscribers stood at approximately 540,000, accounting for approximately 26% of the French very-high-speed broadband Internet market, and approximately 2.6 million homes were FTTH-connectable (Source: ARCEP). Both SFR and Iliad have signed agreements with Orange regarding deployment of fiber in France's less dense areas. In line with the conditions set forth by the ARCEP, other operators will also be able to obtain access to the infrastructure deployed by an operator, including through co-financing projects, for their own very-high-speed broadband offers. However, FTTH deployment involves a heavy investment by operators (estimated by the ARCEP at approximately €400 to €2,000 per FTTH-connected household), as vertical deployment must be made in each target building and home. Complexities often ensue as operators must obtain the consent of (and hence work closely with) the housing associations, coop boards and/or building managers. Such complexities coupled with the financial pressure currently experienced by the Group's competitors as a result of the price war in the mobile market could delay fiber deployment in France.

VDSL2 is a conceivable intermediate, albeit partial, solution. DSL-based networks may be upgraded to VDSL2, which was authorized for use by the government in April 2013 and provides average bandwidth speeds of up to approximately 50 Mbps (Source: ARCEP). Orange has announced that it will run a beta test of VDSL for certain B2C subscribers on its network beginning in September 2013. Free (Iliad) has also announced that it would make its current offerings upgradeable to VDSL should the technology become available in a subscriber's location (which depends on whether Orange rolls it out on its local loop). Like all DSL-based technology, however, and to even greater extent than DSL, VDSL2 speed depends on the distance to the local exchange. It is estimated that for distances above one kilometer, VDSL2 bandwidth speeds will be similar to that of traditional DSL networks (Source: ARCEP). Based on this distance, ZDnet has estimated that only 16% of French households would be in a position to benefit from increased transmission speeds under VDSL2 currently and only 6% would see download speeds greater than 30Mbps. Given the expected geographic and technical coverage of VDSL2, the Group believes that in the zones covered by its own fiber/cable network less than 8% of DSL lines will benefit from speeds higher than what is currently provided by ADSL2+.

Fiber or cable technology is becoming an increasingly important broadband Internet access platform in France as a result of the Group's strategy to upgrade its networks, provide new digital services to customers, leverage existing customer relationships and drive branding initiatives. As of December 31, 2013, very high speed subscribers represented approximately 10% of total broadband Internet connections, and the Group was the dominant player within this market (Source: ARCEP). The Group currently offers cable customers Internet speeds of up to 200 Mbps, and its updated network and set-top boxes have the ability to offer speeds of up to 400 Mbps with limited additional capital expenditures by the Group.

The following table shows the breakdown between high-speed and very-high-speed broadband services in France from 2011 to 2013 (Source: ARCEP):

	As of December 31,		
	2011	2012	2013
	(in thousands)		
Total number of high speed and very high speed subscribers on fixed lines	**22,737**	**23,975**	**24,905**
Number of high speed subscribers	**21,389**	**22,369**	**22,855**
Of which xDSL	20,984	21,981	22,450
Of which other high speed access	405	388	405
Number of very high speed subscribers	**1,348**	**1,605**	**2,050**
Of which very high speeds ≥30 and <100 Mbps	685	670	745
Of which very high speeds ≥100 mbps	466(2)	621(2)	765(2)
Of which FTTH	197(3)	314(3)	540(3)
Variation in the total number of high and very high speed subscribers			
Net increase in one year *(thousands)*	1,390	1,238	930
Net increase in one year (%)	6.5%	5.4%	4.0%

In the above table, the Group's subscribers appear in the lines "of which very high speeds ≥ 30 and < 100 Mbps" and "of which very high speeds ≥ 100 mbps." As of December 31, 2013, Numericable had 1,040 thousand very high speed broadband RGUs while SFR had 197 thousand FTTH subscribers representing a combined market share of the very high speed broadband market of approximately 60%. Adding Bouygues Telecom's 363 thousand subscribers who are white label subscribers of Numericable's fiber market, the Combined Group's market share reached to approximately 78%. At that date, Orange reported 319 thousand very high speed broadband subscribers.

The following table presents a comparison of monthly prices for certain triple- and quadruple-play offers of the Group and its competitors.

	Triple-Play	Quadruple-Play
Bouygues Télécom BBox Sensation Fiber	€37.90	€60.89 (1 month free + 3 months reimbursed)
Free Freebox revolution fiber (Iliad)	€37.97	€53.90
SFR Fiber	€40.99	€60.98 (€47.98 for 1 year)
Orange LiveBox Play Fiber	€42.90	€67.90
Numericable Power 4 Fiber	€44.90 (€37.90 for 1 year)	€53.90

The offers of the Group's competitors noted above do not include CanalSat channels, which must be subscribed separately through Groupe Canal+.

In addition, alternative access technologies may be introduced in the future that could further increase competition or could lead operators to increase capital expenditure for additional upgrades. Competition, including price competition, from these alternative technologies may increase in the future.

Pay-TV

(a) Introduction

The French television market is one of the largest in Europe, with approximately 27 million television households and a combined pay television penetration rate of approximately 77% as of December 31, 2013 (expected to increase to 82% in 2017) (Source: ScreenDigest). Like in other European markets, B2C television behavior in France is increasingly focused on digital, innovative, HD, Ultra-HD, 3D-TV and interactive television services such as VOD, requiring high bandwidth and bi-directional distribution platforms.

(b) Distribution Platforms

Television signal distribution platforms in France include satellite, IP (DSL/FTTH), the Group's cable network and terrestrial systems (i.e., DTT). Viewers who have the appropriate television equipment are able to receive the signal and view the content of approximately 25 television channels for free (i.e., without requiring a subscription) via DTT. To receive more channels, viewers must subscribe to pay-TV services. The French pay-television market is divided between basic pay-TV, which primarily consists of basic content packages (i.e., DTT channels as well as low value-added channels), and premium pay-TV, which consists of package offerings of premium sports, movies and other themed channels. Spending for pay-TV services in France is growing with total subscription fees reaching approximately €6 billion in 2011 (Source: Digiworld Yearbook 2012). While the established pay-TV operators face competition from free television (including DTT) and other pay-TV alternatives (over-the-top television and catch-up television), the competitive advantage of pay-TV (high content quality and premium services) and the loyalty of the installed customer base lead to strong pay-TV resilience (low price sensitivity and low churn rates). As of December 31, 2013, there were approximately 20.6 million subscribers to pay-TV services in France, broken down as follows: 49% IPTV, 32% satellite, 12% cable and 7% DTT (Source: ScreenDigest).

The Group is the second largest operator in terms of pay-TV packages after Canal+ Group; a 100% subsidiary of Vivendi. (Source: Group estimates), with approximately 1.140 million subscriptions as of December 31, 2013 representing a market share in the premium pay-TV market of approximately 15% as of December 31, 2013 (Source: WCIS). While the Group distributes its packages exclusively across its cable platform, Canal+ Group distributes its packages across all broadcasting platforms: DSL, DTT, satellite, as well as the Group's cable network (in that case limited to Canal+'s own channels, known as Les Chaînes Canal+). Canal+ Group offers two complementary packages: a premium service consisting of Les Chaînes Canal+; and a multichannel themed service package known as CanalSat. These two complementary packages are available via combined or separate subscriptions. Canal+ Group has developed numerous value-added services around its packages, such as CanalPlay (on-demand television (which is not available by satellite and is therefore available on the Group's cable network)), HD and multiscreen distribution. As of December 31, 2013, there were 9.5 million subscriptions to Canal+ packages in France and French-speaking countries in Africa (Source: Vivendi 2013 results). The Group has negotiated agreements with content providers that enable it to bundle CanalSat packages within its own offerings; its competitors currently can only offer CanalSat packages as an additional and separately billed service as CanalSat holds the distribution rights to this content for satellite and DSL.

The Group primarily competes with CanalSat, whose offers have similar content (Canal+ content being exclusive to Groupe Canal+). There are several CanalSat offers, including: CanalSat Panorama (approximately 80 channels, €24.90 per month), CanalSat Cinema Series (approximately 20 channels, €19.90 per month) and an offering of both CanalSat Panorama and CanalSat Cinema Series together (€39.90 per month). There is also the Grand CanalSat offer which includes CanalSat Panorama, CanalSat Cinema Series and other options (other channels) for €58.90 per month (€64.90 per month with adult channels). The channels Foot+, beIn Sport and the VOD Pass are not included but may be added.

(i) Cable

The Group is the sole major cable operator in France. There are also small regional cable operators that collectively represent less than 1% of the French cable networks in terms of total homes passed. Cable network operators generate revenues principally from subscription fees paid by customers for the services provided. The Group believes that the direct access it has to customers allows it to serve them better, as it can identify and fulfill their demands for specific products and services more easily and on a local basis. Services provided via cable networks are characterized by easy-to-use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Cable television subscribers are able to access customer services provided by the cable provider on demand. Cable also offers subscribers a high quality service, including excellent picture quality, multiple HD channels, 3D compatibility and VOD offerings.

Given the trend towards offering bundled media and telecommunications services, the market share of cable television distribution is expected to benefit from cable's ability to deliver triple-play services with high bandwidth, high speed and bi-directional capacity.

(ii) Satellite

Satellite plays a substantial role in the French television market, especially among premium products. Satellite subscribers can receive ''free-to-air'' or pay satellite television. Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers need a satellite dish, a satellite receiver and a set-top box. They also require a smart card for subscription-based and premium television services distributed via satellite. Satellite providers of free-to-air services do not have any relationships with viewers and therefore do not receive any subscription or other fees from them.

Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available in a wider geographic area, especially rural areas. Conversely, satellite is less widely available in urban areas due to restrictions on the installation of satellite dishes. In addition, current equipment technology is not equipped for interactive televisions services, such as VOD, via satellite. In addition, while satellite operators can team up with providers of broadband Internet and fixed-line telephony services, they are unable to directly supply all the products in a triple-play bundle, putting them at a significant disadvantage as compared to cable or DSL operators who are able to provide all three services through their networks. The Group believes that satellite has the following additional disadvantages compared to cable: (i) higher up-front cost of procuring and installing a satellite dish, as compared to the ''plug-and-play'' convenience of cable; (ii) the lack of a regular maintenance service, which cable network operators offer to their subscribers; and (iii) the vulnerability of satellite reception to external interference, such as adverse weather conditions.

(iii) DSL

Following the Transactions, the Numericable Group will be addressing the Pay-TV Market through both Numericable's cable and fiber based offers and SFR's DSL-based offers.

The Group's triple- and quadruple-play offerings on Numericable's cable and fiber network compete mainly with the DSL-based offerings of Orange, Free (Iliad) and Bouygues which currently provide television services to customers connected to the Group's network utilizing DSL broadband Internet connections, and with CanalSat, which delivers premium television packages through the networks of

Orange, Free (Iliad), SFR and Bouygues Télécom. Orange, Free and Bouygues Télécom currently have high market shares in the high speed broadband market in France and have a broad potential customer base (covering, in the case of Orange, its local loop and, in the case of Free, the portion of Orange's local loop that has been unbundled), the Group believes that the superiority of its technology in terms of quality, reliability and variety of content will allow it to challenge their positions in coming years in the areas where the Group has deployed its fiber/cable network. See ''—*The Group's Network*.'' Following the Transaction, the Group's will also be able to compete with these DSL offers using SFR's close to nationwide DSL coverage of the French territory. The Group believes that DSL-based television presents a disadvantage compared to cable: adding television services over a DSL network strains the network and decreases the amount of spectrum bandwidth available for other service offerings, particularly bandwidth-intensive broadband. Under currently available technology, the Group believes that DSL-based triple-play providers such as Orange and Free (Iliad) will have difficulty providing the same level of services that can be provided over fiber/cable networks (in particular, viewing of multiple TV/VOD on multiple screens; TV/VOD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber's home. In addition, Orange, Free and Bouygues Télécom customers must subscribe separately to premium channels, such as CanalSat, while these are included in certain of the Group's bundled packages.

(iv) Pay DTT

The Group's cable television services also compete with DTT providers such as Canal+ Group. Approximately 16% of all digital television B2C subscribers in France obtain their service through DTT networks (both free and pay DTT) as of December 31, 2013 (Source: ScreenDigest). DTT currently offers only a limited number of channels (primarily free television channels) and does not offer any interactive television services, but the image quality provided is good.

(v) Other Emerging Technologies

The Group faces increasing competition from alternative methods of distributing television services other than through traditional cable networks. For example, websites and online aggregators of content that deliver broadcasts ''over-the-top'' (OTT) of an existing broadband network, such as Amazon and Apple, have already emerged as competitors and are expected to become increasingly significant competitors in the future. OTT refers to broadband delivery of video and audio content without the internet access provider being involved in the control or distribution of the content itself (limiting its role to IP transfer), in contrast with purchase of video or audio content from an Internet provider, such as VOD or an IPTV video service. Outside of France, OTT is popular; for example, in the United States, Netflix and Hulu provide OTT content. The full extent to which these alternative technologies will compete effectively with the Group's cable television system in France is not yet known. Such providers or other web content providers could begin to promote offerings in France and place significant competitive pressure on the French market. However, such technologies may also contribute to demand for the Group's very high speed Broadband Internet access.

Fixed Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now essentially bundled into multi-play packages. Fixed-line services have therefore become dependent on a quality broadband offering. Flat-rate pricing for fixed line telephony has become the market standard.

The market for B2C telephony in France also faces pressure from alternative carriers, declining mobile phone charges and interconnection rates, as well as alternative access technologies and other methods of Internet telephony offered via broadband Internet connections. The Group expects increasing competition, including price competition, in the future.

Mobile Telephony

France is one of the largest mobile markets in Europe with total market revenues of approximately 20.6 billion euros in 2013 (Source: IDC). As of December 31, 2013, there were 74.0 million total mobile customers in France, compared to 70.5 million as of December 31, 2012, representing a 117% penetration rate of the French population (Source: ARCEP), a figure that has been steadily increasing in recent years. As a comparison, in 2012, mobile penetration of the population was 113%, 117%, 132% and 142% in Spain, the United Kingdom, Germany and Italy, respectively (Source: GSMA Mobile

Economy Europe). The historically low mobile penetration, coupled with the decrease in market prices, has resulted in significant growth in mobile subscriptions. This growth is mostly driven by the subscription contract segment, which grew by approximately 8% in volume in 2013 with the prepaid contract segment declining by −16% over the same period (Source: ARCEP). The increase in the subscription contract segment and decrease in the prepaid contract segment is mainly attributable to operators transferring subscribers to potentially higher monthly bills with Internet access and by the launch of very low-cost subscription offers by French operators following the entry of Free in the mobile market in January 2012.

(a) Market segmentation

Historically, there were only three mobile network operators in France: Orange, SFR and Bouygues Télécom. Iliad was awarded the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 under the Free brand. Free's entry has disrupted the market, with competition intensifying due to Free's aggressive pricing strategy. Before the entry of Free, most of the post-paid contracts were based on limited usage (e.g., 4 hours of voice) and subsidized handsets. Free widely introduced ''No-frills'' packages with no handsets and limited outsourced services but providing unlimited voice and data package (3G) at a very low cost (€19.99/month for its key offer). Other competitors have also introduced low-cost brands such as B&You (Bouygues Télécom) and Sosh (Orange). SFR also adapted its strategy by launching its low-cost brand 'SFR RED'. Free rapidly gained market share, reaching approximately 8 million mobile customers as of December 31, 2013, less than two years after its commercial launch. This market share gain has been driven by growth of the overall market in volume and by market share gains from Orange, SFR and Bouygues.

The French mobile market is also characterized by a high share of postpaid customers. Postpaid customers represented 71% of the French mobile market (excluding French overseas territories) as of December 31, 2013, compared to 69% as of December 31, 2012 (Source: ARCEP). In comparison, the share of postpaid customers in Spain, the United Kingdom, Germany and Italy was 67%, 54%, 47% and 21%, respectively in 2012 (Source: GSMA Mobile Economy Europe). This is mostly due to the substitution of prepaid offers with low-cost postpaid offers, at attractive and low prices (e.g. €2 per month) and a small number of hours of communications (e.g. 2 hours of voice) and no Internet.

In recent years, MVNOs such as Virgin Mobile, NRJ Mobile and Numericable have also used the networks of mobile operators to sell their own branded mobile products. The migration of clients to MVNOs appears to have stabilized, with MVNOs representing a combined market share of 11% of the mobile market in France as of December 31, 2013 (Source: ARCEP).

At December 31, 2013, Orange, SFR, Bouygues and Iliad (Free) reported total mobile customers of 27.0 million, 21.4 million, 11.1 million and 8.0 million, respectively (Source: Companies FY 2013 Reporting), while the total number of MVNO customers in the market reached 7.8 million (Source: ARCEP).

(b) Pricing dynamics

In recent years, the increase in competition in the French mobile market has resulted in lower market prices. Consequently, the average market ARPU per month has declined by approximately 30% since 2011, driven mainly by migration of some post-paid subscribers to no frills offers. Following this drop, mobile prices in France are among the lowest in Europe. France currently has the lowest mobile prices for comparable offers among major operators including low-cost products, including unlimited calls, unlimited SMS/MMS, Internet 1, 2 or 3 Go, no subsidy, in each country (KPN, Vodafone in the Netherlands; Orange and Play in Poland; Proximus 5GB offer, Base and Mobistar in Belgium; Swisscom, Sunrise and Orange in Switzerland; Movistar, Orange and Vodafone in Spain; Tim and Vodafone in Italy; T-Mobile, Vodafone and O2 in Germany; O2, Vodafone and EE in the United Kingdom); for France Red, Sosh, B&You and Free offers at 19.99€. The mobile prices in France are particularly low when compared to the low density of population in France, requiring significant investments to meet nationwide geographical coverage. France has 52 households per square kilometer compared to respectively 114,114,153,179 and 85 households per square kilometer for the United Kingdom, Germany, Belgium, the Netherlands and Italy, providing a disconnect between pricing levels and the investments required to roll-out capex intensive networks.

(c) 4G / LTE

The French market has historically lagged behind other European markets in terms of mobile data consumption. Despite the high concentration of postpaid users, historically the market has been slower to embrace data services. Recently, this trend has changed as operators start to launch aggressive 4G mobile offers.

Free was the first operator to introduce 4G at no additional charge in December 2013. However, Free did not proceed with any price cuts as it did for its 3G offers. Free (Iliad) currently has limited capability to deliver 4G on a nationwide basis, given it has no spectrum in the 800 Mhz band. Other operators in the market have aligned their 4G prices with Free's, with all MNOs, including SFR, now offering similar all-inclusive 4G packages at the €20 per month starting price point.

(d) Mobile Termination Rates

Mobile termination rates (''MTRs'') have been reduced by regulators across Europe. In France, ARCEP announced in 2011 it was going to further reduce mobile termination rates (symmetrically for the main operators, Free was not included as it had yet to launch commercial operations). At the end of June 2011, Orange and SFR were charging €0.03 per minute while Bouygues was charging €0.034. The new regulation required operators to reduce the rate to €0.02 per minute from 1st July 2011, €0.015 from 1st January 2012, €0.01 on 1st July 2012 and finally to €0.008 from 1st January 2013. As a result, France has the lowest MTRs in Europe with limited room for further MTR reductions; as a comparison, the average MTR in Europe is €0.0258 (Source: Body of European Regulators for Electronic Communications).

(e) Mobile spectrum and network coverage

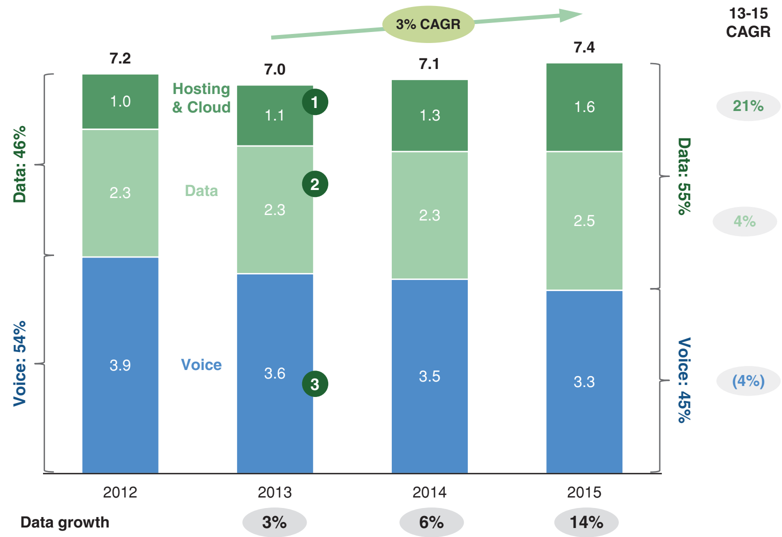
Generally, spectrum licenses in France are generally for a period of 20 years and operators can only use the technology designated in the licence on each spectrum band. This limitation prevents Free (Iliad) from offering competitive 4G service on a nationwide basis, as it is only able to use its 2.6GHz spectrum for 4G. Other operators, including SFR, have very similar positions across the spectrum bands, allowing them to compete effectively with each other across all technologies. The most recent spectrum auctions in France were the 800MHz auction in December 2011 and the 2.6GHz auction in September 2011.

B2B Market

Following the liberalization of the French telecommunications market in 1996 a large number of telecommunications operators entered the B2B market segment, offering fixed-line telephony services, fixed-line Internet access, data access links and, more recently, cloud computing. Over the last few years, industry-wide consolidation has drastically reduced the number of competitors in these segments. The medium-sized and large B2B market is highly competitive, with key market participants being Orange, SFR and Completel. The same participants and some smaller players such as Colt and Bouygues Télécom compete mainly on the medium-sized business segment. The market for small businesses is dominated by the historical operator, Orange.

The expectations of B2B customers differ from those of B2C customers, in particular with respect to the need for reliable and symmetrical bandwidth speeds (i.e., high speeds for both downloading and uploading). B2B customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption (failing which financial penalties typically apply). B2B customers also generally require symmetrical bandwidth speeds, while B2C customers are usually satisfied with asymmetrical speeds providing higher downloading speeds and slower uploading speeds. B2B customers also require higher security and are in a position to impose monetary and other penalties on providers for failure to meet contractual requirements. These requirements have an impact on the technological solutions offered to B2B customers and support higher prices in the B2B segment.

The Group expects next generation services and data consumption to increase (chart does not include mobile segment data):



CAGR: compound annual growth rate.

Voice

The B2B segment for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (one year) contracts. 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.

In recent years, the B2B market has experienced a structural shift to VoIP services from traditional switched voice services.

Data

In the B2B segment for data services, the capacity to transport high amounts of data and access to the latest technologies are very important to customers. In the data market, consumption has increased significantly and customers currently often seek combined infrastructure and software solutions.

Price pressure is high in this competitive market. Conversely, data consumption has increased significantly. The Group expects a continued increase in B2B demand for data services and bandwidth due in particular to the following factors:

- the convergence of voice and data services, such as VoIP, which results in increased demand for resilient network solutions;
- the centralization of IT hardware of multisite enterprises, including servers into one single location per enterprise, which increases connectivity needs of the peripheral sites of such enterprises;
- the emergence of new business applications, such as videoconference;
- larger corporates' demand for faster access, increased virtualization, data centers and increased security services;
- increasing digitalization at public administrations;
- increased use by medium-sized companies of complex data products, such as cloud computing; and
- increased use by businesses of internal wireless networks.

Customers are currently seeking maximum optimization and rationalization of their needs through the use of data centers. Large corporates tend to seek dedicated network solutions in order to control their service chain from end to end and often have their own infrastructure. Medium sized corporates are more likely to seek ''infrastructure as a service'' (IaaS/cloud) solutions for their data availability, storage and security needs. ''Infrastructure as a service'' can now provide such corporates with data storage and backup solutions that would otherwise be too expensive. While medium-sized corporates expect providers to provide tailored and secured infrastructure up to the ''middleware'' level, small corporates tend to prefer a packaged solution such as ''software as a service.'' The Group now competes with software and other IT providers of data and network solutions, and the frontier between them and providers of infrastructure and data solutions such as the Group is increasingly blurred. Partnerships between IT and infrastructure providers are increasingly common and are another source of competition.

Customers

The B2B segment is also defined by the different needs of customers, which vary depending on the size of the company. Large corporates are sophisticated and highly price-sensitive customers. Speed, capacity, security and reliability are also very important to these customers. They tend to unbundle services and put them out to tender frequently. Smaller companies are more apt to bundle and place a premium on provider proximity.

The Group estimates that the size of the large corporates market (those with more than 1,000 employees), medium-sized companies (between 20 and 1,000 employees) and SOHOs in 2012 was, respectively, €3.1 billion, €3.4 billion and €0.7 billion. It believes that the French large corporates market includes approximately 1,900 entities, approximately 155,000 sites (approximately 80 sites per large corporate), and a monthly average value per contract of approximately €130,000. The Group believes that the French midmarket includes approximately 290,000 entities, approximately 507,000 sites (less than 2 sites per medium-sized company), and a monthly average value per contract of approximately €1,200.

In 2013, SFR entered into exclusive negotiations to acquire B2B operator Telindus, with the objective to enhance its capabilities as provider of next generation B2B services in France.

Wholesale Market

The wholesale telecommunications market comprises three sectors: wholesale voice carrier services, wholesale data carrier services and wholesale dark infrastructure services. The wholesale voice carrier services segment includes fixed and mobile termination and interconnection services for operators with no or limited switched voice network capillarity. The wholesale data carrier services segment includes transporting data for operators with no or limited data network capillarity. The new wholesale dark infrastructure market is developing, based on the selling of fiber connections without any related voice or data services. This business is growing in connection with the roll-out of FTTH and 4G and involves principally horizontal fiber links and backhauling.

In France, the wholesale telecommunications market is dominated by Orange and SFR with their market shares varying by segment. SFR has a strong presence in the voice wholesale segment. In the data wholesale segment, Orange dominates, with local operators playing a significant role. In the fiber wholesale segment, Orange is the clear leader with a market share of approximately 70% as of December 31, 2012 (Source: Group estimate).

- *Voice.* The wholesale market for voice services is highly volatile. Operators generally seek tenders each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators with respect to voice services. Competition is therefore based primarily on price and network capillarity, as well as on operators' flexibility and ability to offer tailored solutions. Pricing in the voice wholesale segment is generally ''cost plus,'' with the interconnection cost set by the ARCEP. Regulated interconnection costs have decreased as the telecommunications industry has matured. See ''Regulation—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications.'' In addition, this segment has been significantly affected by the development of full MVNO agreements between network and virtual operators. These agreements have affected the flow of traffic and led to an increase in fixed to mobile volumes, which generate higher wholesale prices. In particular, Free's arrival in the mobile market in January 2012 has led to a significant increase in mobile to fixed and mobile to mobile volumes.
- *Data.* The wholesale market for data services is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement.

- *Fiber Infrastructure.* The wholesale market for dark fiber infrastructure is more open than the wholesale voice and data carrier, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e., they rent out the fiber to telecommunications operators).

Growth in the wholesale market is driven by growth in demand for network capacity, which has increased significantly in recent years.

Another trend in the French market is the development of public/private partnerships between local authorities and infrastructure players for the installation or upgrade of FTTB networks or the deployment of FTTH/FTTO vertical networks. The Group has already been and hopes to be selected as the entity in charge of building certain new networks or in charge of upgrading existing networks. See ''—*The Numericable Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*.''

Operators and consortiums of operators and construction companies have also started deploying FTTH vertical fiber networks in apartment buildings in order to lease the use of such networks to other telecommunications operators as ''building operators'' (*opérateurs d'immeubles*), including through public/private partnerships with local authorities. The Group operates in this area based on its bulk business relationships, as it is a way to retain and build customer relationships.

BUSINESS OF THE NUMERICABLE GROUP

This section discusses the business of the Numericable Group and references to ''Numericable Group'' are to Numericable Group S.A. and its subsidiaries as of the date of this offering memorandum (without giving effect to the Transactions). For a discussion of the business of SFR, please see ''*Business of SFR*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR*''.

Overview

Numericable Group is the sole major cable operator in France. It was created through the combination of several B2C cable and B2B operators and operates using a highly capillary network infrastructure to serve three telecommunication market segments in France: B2C, B2B and wholesale. The Numericable Group generated consolidated revenues of €1,314 million for the fiscal year ended December 31, 2013.

In the B2C segment, Numericable Group, operating under the Numericable brand name, is the sole cable operator in France (other than small local operators which collectively represent less than 1% of French cable networks), with a footprint covering nearly 10 million households in more than 1,300 cities. Its network covers the urban areas and other most densely populated regions in France and offers retail customers a wide range of telecommunications products and services: pay television, very-high-speed and high-speed broadband Internet access and fixed-line and mobile telephony (operated as an MVNO). The Numericable Group also offers bulk digital services to multiple-dwelling unit managers and housing associations as well as fiber packages which are resold by third-party operators under their own brand names (known as ''white label'' products). The Numericable Group believes that it has the most advanced fiber network for residential customers in France, with approximately 5.2 million households serviced by fiber, which currently allows, in addition to HDTV and 3D-TV, for Internet download speeds of up to 200 Mbps. The B2C segment contributed revenues of €826.2 million in 2012 (63.4% of Numericable Group's combined revenues) and €864.6 million in 2013 (65.8% of Numericable Group's consolidated revenues).

In the B2B segment, Numericable Group, operating under the Completel brand name, believes it is the second largest alternative operator to Orange, and the largest alternative operator in terms of FTTO networks. The Numericable Group is a facilities based operator of cutting-edge high-capacity, fiber optic communications infrastructure. The Numericable Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, and voice services, including voice, VoIP and Centrex. The Numericable Group has one of the widest ranging fiber-DSL networks in France, with 80 fiber metropolitan area networks (''MANs'') and 700 subscriber access nodes. It provides telecommunications and Internet-related services to business and government end-users in targeted urban areas in France. It delivers these services primarily to on-net customers connected to the Numericable Group's networks. The B2B segment contributed revenues of €323.2 million in 2012 (24.8% of Numericable Group's combined revenues) and €309.6 million in 2013 (23.6% of Numericable Group's consolidated revenues).

In the wholesale segment, Numericable Group is a leading national wholesale player, offering voice and data wholesale carrier services, fiber network infrastructure-based wholesale services and triple-play DSL white label packages. It offers a wide product portfolio to a broad base of national and international operators. The Numericable Group addresses the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators operating in France with an alternative to Orange, one of the main wholesale suppliers. The wholesale segment contributed revenues of €153.1 million in 2012 (11.8% of Numericable Group's combined revenues) and €140.0 million in 2013 (10.7% of Numericable Group's consolidated revenues).

As of December 31, 2013, the Numericable Group served approximately 1,346 million direct B2C subscribers, approximately 1,753 million bulk customers, and approximately 483,000 white label end-users and approximately 600 large private corporate and public sector clients as well as 12,000 medium-sized companies (''MEs'').

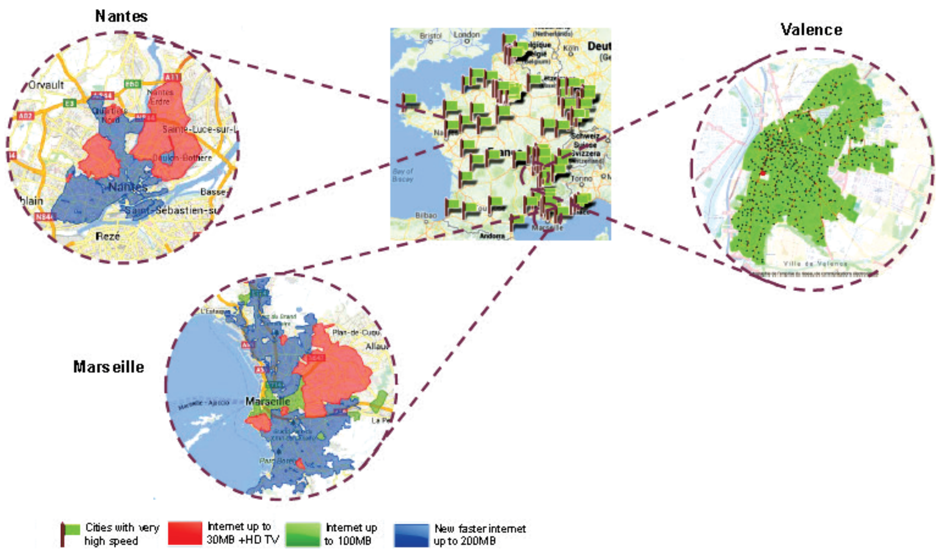
The Numericable Group has an extensive network, covering both switched voice and data. Both B2C and B2B operations rely on the Numericable Group's extensive backbone. As of December 31, 2013, the total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers. The Numericable Group's network includes hybrid fiber and coaxial cable connections to homes, 80 fiber metropolitan area networks connecting corporate and public sector sites in France's dense business areas and an extensive DSL network over its switched voice lines, with 700 subscriber access nodes. Covering approximately 35% of homes in metropolitan France, the Numericable Group's network is concentrated in densely populated areas but does not cover the entire French territory.

The Numericable Group's fiber/cable network is one of two core end-to-end networks equipped with extensive local loop infrastructure in France, the other being that of Orange. As of December 31, 2013, the Numericable Group's network passed 9.9 million homes (approximately 35% of French homes), including approximately 5.2 million homes passed by its FTTB/EuroDocsis 3.0-enabled network, approximately 3.3 million homes by its EuroDocsis 2.0-enabled network and 1.4 million homes by its standard coaxial cable network (the latter without bi-directional capability and thus limited to television services). The Numericable Group increased the number of homes connected with FTTB/EuroDocsis 3.0 by 408,000 by the end of 2013 and intends to continue to upgrade its cable network in the coming years. See ''*—The Numericable Group's Network—Recent and Planned Network Investments*.'' Over 85% of the Numericable Group's overall network in terms of homes passed is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of December 31, 2013. In addition, 85% of the homes connected to the Numericable Group's network benefit from an 862 MHz frequency (i.e., are triple-play ready). The portion of the Numericable Group's network that has already been upgraded to FTTB and uses EuroDocsis 3.0 technology currently provides a download speed of up to 200 Mbps, which is the highest available in France on a large scale and allows the Numericable Group's customers to connect several devices (such as computers, televisions, tablets and smartphones) simultaneously without impairing the quality of the TV signal or the internet speed. The Numericable Group believes this download speed and its separate streams of TV and Internet give it an advantage over its competitors. In addition, this portion of the Numericable Group's network has potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure by the Numericable Group, and, in the long-term, and with additional capital expenditure, could have the potential capacity to support download speeds of up to 1Gbps. Moreover, the part of the Numericable Group's network that uses EuroDocsis 2.0 technology provides a download speed of up to 30 Mbps, which, the Numericable Group believes, is higher than its DSL competitors. Both the EuroDocsis 3.0 and the EuroDocsis 2.0 television-encoding technologies enable the Numericable Group to offer its customers triple-play or quadruple-play and interactive services requiring large bandwidths and benefiting from an 862 MHz frequency. The Numericable Group believes that the picture quality of its television products, especially for HDTV channels, is superior to that of the IPTV technology used by its competitors on DSL lines and that this will become an increasingly important differentiator, especially for customers with wide-screen television sets. The Numericable Group's decoder, LaBox, contains an optimized interface for watching YouTube HD videos on the television screen thanks to an integrated search engine and personalized access. It also offers the possibility of a split-screen feature, allowing the user to watch a show while simultaneously following Twitter and Facebook comments on the same television screen.

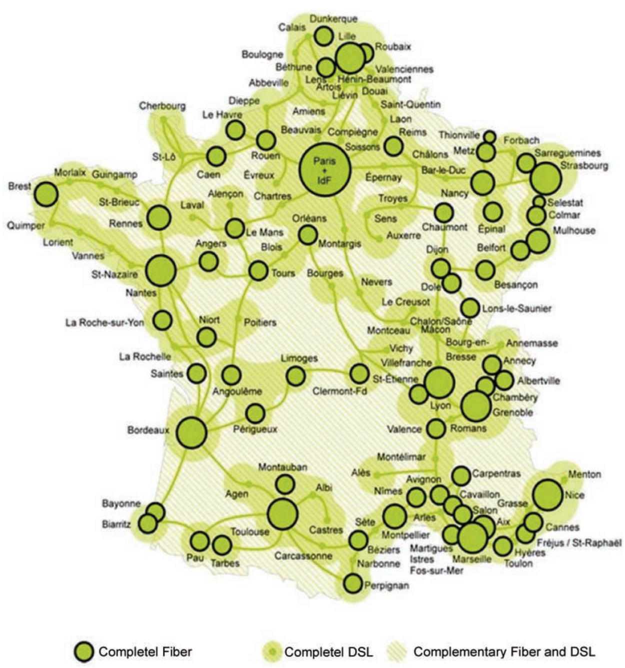
The Numericable Group's B2B segment is based on fiber metropolitan area networks located in large urban areas and installed in 80 dense business areas in France. Among other things, the existence of these MANs enables the connection of new B2B customers with limited capital expenditures. The Numericable Group's DSL network can also connect to B2B customers' more remote sites. As of December 31, 2013, the Numericable Group's fiber network passed over 10,000 private corporate and public sector sites, and its DSL network passed over 80,000 private corporate and public sector sites.

The Numericable Group's network is operated as a single, integrated network. The Numericable Group is party to several long-term IRUs with Orange and various agreements with public authorities. See ''*—Material Contracts—Infrastructure and Network Agreements*.'' The maps below illustrate the B2C and B2B networks, respectively.

The Numericable Group's B2B Network



The Numericable Group's B2B Network



For the year ended December 31, 2012, the Numericable Group's combined revenue was €1,302.4 million and the Numericable Group's combined EBITDA was €592.3 million. For the year ended December 31, 2013, the Numericable Group's consolidated revenue was €1,314.2 million and the Numericable Group's consolidated EBITDA was €560.1 million.

History and Development of the Numericable Group

Numericable Group was formed on August 2, 2013. In connection with the initial public offering of the Company's shares, on November 7, 2013, the Company's shareholders simultaneously contributed to the Company the entirety of their securities holdings in Ypso Holding S.à r.l., parent company of the Ypso Sub-Group, and Altice B2B Lux S.à r.l., parent company of the Altice B2B Sub-Group. Following these contributions, the Company is the parent company of a group of companies including 20 consolidated entities (11 French companies and 9 non-French companies).

Numericable Group is the result of the combination of Numericable and Completel to create a telecommunications provider of a wide range of products and services to customers across the spectrum in France, from individuals to businesses to other telecommunications operators and public authorities.

The Numericable Group's origins date back to the creation of the cable networks in France. Part of the Numericable Group's cable network was built under the Cable Plan (Plan Câble) in the early 1980s by the French State and later transferred to Orange, the incumbent telecommunications operator. It was initially operated by certain of the Numericable Group's predecessors, local entities financed by both private and public funding, which the Numericable Group later acquired. Another part of the Numericable Group's network was built under the New Deal Plan (Plan Nouvelle Donne), a regulatory regime which allowed local authorities to set up their own networks or have networks built by private companies. These private companies were then granted concessions to operate them for periods of 20 to 30 years. As a result of this heritage, French cable networks were owned and operated under various legal frameworks by distinct entities with potential conflicting interests. This split intensified regulatory complexity and slowed cable expansion in France compared to the rest of Europe. Market consolidation, however, began in December 2003 when the prohibition for a single cable operator to connect more than eight million households was lifted.

Altice One (Alsace), an affiliate of Altice, acquired Est—Videcommunication, in December 2002, and Coditel Belgium and Coditel Luxembourg, in November 2003. In March 2005, Ypso France (''Ypso''), an entity controlled by investment funds Altice and Cinven, acquired the cable businesses of France Telecom Cable, TDF Cable and NC Numericable, making Ypso the largest French cable operator. In 2006, Ypso acquired Est Video Communication, Coditel Belgium and Coditel Luxembourg from Altice One as well as the cable business of Noos-UPC France from UPC Holding B.V., making Ypso the sole cable operator with a significant presence in metropolitan France.

In 2006, Ypso started deploying fiber on its network, and in 2007, all cable activities of Ypso were brought together under a single brand name, Numericable.

In September 2007, two of Ypso's shareholders, Altice and Cinven, acquired all of the outstanding shares of Completel, which added DSL and fiber metropolitan area networks, a corporate sector business and a nationwide backbone to the Numericable Group. Completel was created in January 1998 to take advantage of the opportunities in the B2B sector arising from the progressive liberalization of the European telecommunications markets. Completel started operations with the creation of the first alternative MAN in Paris and Lyon in 1999, followed by the first offering of a LAN to LAN Ethernet connection in 2000.

In March 2008, the investment fund Carlyle acquired a 38% stake in Ypso and Completel.

In December 2010 Eric Denoyer was appointed chief executive officer of each of the Ypso Sub-Group and the Altice B2B Sub-Group. Eric Denoyer had joined the Numericable Group in 2004 and was head of the Numericable Group's wholesale division from 2008 to December 2010.

In 2006, the Numericable Group entered into its first white label (DSL) contract with Darty (see ''*—The Numericable Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*''). The Numericable Group then entered into white label contracts with Auchan in 2008 and with Bouygues Télécom in 2009. In 2008, the Numericable Group also established Sequalum to plan, deploy and operate an FTTH very-high-speed fiber network in the Hauts-de-Seine District near Paris.

By the end of 2008, the Numericable Group had fully integrated the historical Numericable business and the historical Completel business; since then, the legacy networks have been operated as a single one, providing residential, corporate and wholesale services to the customers of the Numericable Group.

Since 2009, the residential business has been focusing on triple-play marketing as well as migrating its TV-only customers towards bundled offerings, in line with the French market. Since 2011, the Numericable Group has also marketed quadruple-play offerings, as an MVNO using the nationwide network of Bouygues Télécom. See ''*—The Numericable Group's Business Lines—B2C Market—B2C Segment Offers*'' for a description of these services.

The Numericable Group has also enhanced and broadened its corporate business through the acquisitions of B3G, a French leader in IP Centrex, in 2009 and Altitude Télécom, a major French player in IP VPN, in 2010. See ''*—The Numericable Group's Business Lines—B2B Segment—Fixed Data*'' for a description of these services.

As part of the Numericable Group's strategy to focus on the French triple- and quadruple-play market, the Numericable Group sold its Belgian and Luxembourg operations to several investors, including Altice (one of its main shareholders), in June 2011. The Numericable Group began to increase its investments in 2011, focusing on the development of a new and innovative ''box'' that would allow it to take better advantage of its fiber network. In May 2012, the Numericable Group started marketing ''LaBox,'' an integrated set-top box and cable router that it offers to certain triple-play and quadruple-play customers. The Numericable Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market. See ''*—The Numericable Group's Business Lines—B2C Market—B2C Segment Offers*.''

In February and October 2012, Numericable Finance & Co S.C.A, an independent ad hoc special purpose financing vehicle, issued high yield bonds in the amounts of €360 million and €500 million, respectively; these bonds are listed on the Irish Stock Exchange (see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources of the Numericable Group—Financial Resources—Financial Liabilities*''). The success of these two issuances allowed the Numericable Group to reorganize Numericable's debt effectively, minimizing liquidity risk and ensuring the continuity of the Numericable Group's residential segment investments.

In March 2013, the Numericable Group acquired Auchan's television, very high speed internet and fixed telephony services (thereby terminating the white label contract previously entered into with Auchan), which amounted to approximately 5,000 individual subscribers.

In June 2013, the Numericable Group acquired Valvision, a simplified joint stock company governed by French law, a small French regional cable operator with approximately 5,000 individual subscribers and 8,000 bulk subscribers.

In October 2013, the Numericable Group, through Altice B2B France, acquired LTI Télécom SA, a telecommunications operator founded in 1998 and active in the B2B market. LTI Télécom SA provides fixed and mobile telephony solutions and Internet access to small and medium-sized companies of five to 250 employees in France.

In the context of the Numericable Group's initial public offering, which closed on November 12, 2013, the Numericable Group undertook certain reorganization transactions, as described under ''*Summary—Recent Developments—Corporate Reorganization*.''

The Numericable Group's Business Lines

B2C Market

General Presentation

The historical foundation of the Numericable Group's B2C business was the provision of analog cable television services and, since the emergence of such technology, digital cable television services. As of December 31, 2013 the Numericable Group's network covers 35% of French homes and reaches 9.9 million homes (of which 5.2 million are fiber connectable). As B2Cs have increasingly sought to receive their media and communications services in a single package from a single provider, the Numericable Group has shifted its focus towards offering subscribers standard and premium television, broadband Internet, and fixed and mobile telephony subscriptions in the form of triple- and quadruple-play packages. The Numericable Group's B2C services now primarily focus on the triple- and quadruple-play market, providing both branded and white label services. The Numericable Group continues to provide, through separate subscriptions, television, broadband Internet and fixed and mobile telephony services on a stand-alone basis to its customers. The Numericable Group also provides analog television to individual subscribers and bulk digital services to multiple-dwelling units and housing associations.

The B2C segment contributed €864.6 million in revenue (65.8% of Numericable Group's consolidated revenues) in the year ended December 31, 2013. The following table summarizes revenue generated by the B2C segment (before elimination of inter-segment sales) by type:

B2C Segment	For the year ended December 31, 2013
	(in € millions)
Revenue	
Digital revenue	682
Analog revenue	29
Bulk revenues	69
White label (fiber) revenue	91

The following table sets out certain operating information for the B2C business as of and for the periods indicated:

B2C Operating Data:	At, or for the year ended, December 31,		
	2011	2012	2013
	(in thousands except percentages, number of RGUs per individual user and ARPU)		
Footprint(1)			
Homes passed(2)	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Digital individual subscribers	1,238	1,228	1,264
Multi-play(3)	938	972	1,041
Stand-alone television	267	223	193
Other(4)	34	34	31
White label end-users(5)	206	297	363
Total digital individual users	1,444	1,525	1,628
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
TV Individual RGUs(6)	1,216	1,163	1,140
Internet Individual RGUs(6)	950	985	1,054
Fixed Telephony Individual RGUs(6)	897	946	1,024
Mobile Telephony Individual RGUs(6)	47	113	186
Total individual RGUs(6)	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user(6)	2.27	2.41	2.53
Bulk subscribers(7)	1,837	1,829	1,753
Churn—individual subscribers	19.4%	18.6%	19.0%
Stand-alone digital television	16.4%	19.0%	18.9%
Analog television	20.1%	18.3%	19.2%
Triple-play	17.3%	17.2%	17.0%
ARPU per month—new digital individual subscribers (gross-adds)(8)	**41.4€**	**41.7€**	**41.9€**
ARPU per month—digital individual subscribers (customer base)(8)	**40.3€**	**40.7€**	**41.5€**

(1) Operating data related to the Numericable Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed ''passed'' if it can be connected to the distribution system without further extension of the network.

(3) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet).

(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

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

(6) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Numericable Group's network represents one RGU. Thus, one subscriber who receives all of the Numericable Group's B2C services would be counted as four RGUs. RGUs represent only Numericable brand direct subscribers (i.e., does not include white label or bulk subscribers).

(7) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

(8) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

The following table sets out B2C operating information on a quarterly basis:

	At March 31 Q1 2012	At June 30 Q2 2012	At September 30 Q3 2012	At December 31 Q4 2012	At March 31 Q1 2013	At June 30 Q2 2013	At September 30 Q3 2013	At December 31 Q4 2013
	(in thousands except percentages, number of RGUs per individual user and ARPU)							
Footprint[(1)]								
Homes passed[(2)]	9,843	9,853	9,860	9,875	9,858	9,889	9,932	9,940
Triple-play enabled	8,376	8,402	8,409	8,428	8,415	8,452	8,493	8,511
EuroDocsis 3.0 enabled plugs	4,394	4,569	4,694	4,788	4,873	4,977	5,093	5,196
Digital individual subscribers	1,230	1,218	1,214	1,228	1,238	1,239	1,253	1,264
Multi-play[(3)]	944	942	946	972	993	1,002	1,019	1,041
Stand-alone television	253	242	235	223	212	205	201	193
Other[(4)]	34	34	32	34	32	32	32	31
White label end-users[(5)]	226	246	264	297	313	320	334	363
Total digital individual users	**1,456**	**1,464**	**1,476**	**1,525**	**1,550**	**1,559**	**1,587**	**1,628**
Analog television individual subscribers	124	117	109	103	97	91	88	81
Total individual users	**1,580**	**1,581**	**1,587**	**1,628**	**1,647**	**1,650**	**1,674**	**1,709**
TV Individual RGUs[(6)]	1,200	1,181	1,170	1,163	1,158	1,148	1,144	1,140
Internet Individual RGUs[(6)]	959	958	962	985	1,006	1,015	1032	1,054
Fixed Telephony Individual RGUs[(6)]	908	911	919	946	970	981	1000	1,024
Mobile Telephony Individual RGUs[(6)]	51	60	90	113	135	151	167	186
Total individual RGUs[(5)]	**3,117**	**3,110**	**3,141**	**3,207**	**3,269**	**3,295**	**3,343**	**3,404**
Number of individual RGUs per individual user[(6)]	2.30	2.33	2.39	2.41	2.45	2.48	2.49	2.53
Bulk subscribers[(7)]	1,842	1,839	1,840	1,829	1,821	1,783	1,797	1,753
Churn—individual subscribers	16.9%	17.9%	20.4%	19.5%	18.7%	17.8%	19.3%	20.2%
Stand-alone digital television	20.8%	18.7%	16.0%	20.4%	19.7%	18.3%	16.7%	21.0%
Analog television	20.5%	16.9%	17.3%	18.1%	18.1%	17.8%	15.9%	25.5%
Triple-play	15.6%	17.7%	19.5%	16.2%	17.2%	15.5%	17.7%	17.7%
ARPU per month—new digital individual subscribers (gross-adds)[(8)]	**41.1€**	**43.4€**	**40.5€**	**42.0€**	**42.4€**	**42.2€**	**39.1€**	**41.9€**
ARPU per month—new digital individual subscribers (customer base)[(8)]	**40.4€**	**41.0€**	**40.7€**	**40.8€**	**41.0€**	**41.4€**	**41.9€**	**41.9€**

(1) Operating data related to the Numericable Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed ''passed'' if it can be connected to the distribution system without further extension of the network.

(3) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet).

(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

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

(6) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Numericable Group's network represents one RGU. Thus, one subscriber who receives all of the Numericable Group's B2C services would be counted as four RGUs. RGUs represent only Numericable brand direct subscribers (i.e., does not include white label or bulk subscribers).

(7) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

(8) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

B2C Segment Offers

Digital Services

Digital services include pay television, high-speed and very high-speed broadband Internet, fixed-line telephony and mobile telephony, either on a stand-alone basis or bundled into triple- and quadruple-play packages. The Numericable Group's digital services business generated consolidated revenue of €682 million for the year ended December 31, 2013.

The Numericable Group's focus is on providing its customers with triple- and quadruple-play services, which it believes are some of the most attractive bundled products available in France due to the high quality of the television and Internet services provided on coaxial cable and/or fiber. The Numericable Group nonetheless continues to provide its existing subscribers with digital television, broadband Internet, fixed-line telephony and/or mobile telephony services on a stand-alone basis where requested. Set out below is a description of the various services the Numericable Group offers, on either a bundled or stand-alone basis.

(a) Digital Television

For the year ended December 31, 2013 the Numericable Group delivered digital television services to approximately 1,140 million B2C subscribers, including approximately one million multi-play subscribers and 193,000 stand-alone television subscribers. The Numericable Group believes that it offers B2C subscribers one of the best television packages currently available in France, with the highest number of HD channels and the most attractive package of premium channels, with the same content as that available in CanalSat offers. Its television services include between 200 and 400 digital television channels (including between 10 and 54 HDTV channels) depending on the package selected, more than 40 digital radio channels, interactive television services such as VOD, catch-up television and innovative features such as 3D-TV. VOD allows subscribers to order recent movies and television shows for a fee while catch-up television allows subscribers to view on-demand television programming from a group of popular channels at any time within (typically) seven to 30 days after the programs were originally aired. The Numericable Group's VOD catalogue, which is comprised of over 30,000 shows and movies, is one of the largest available in France. The Numericable Group also makes 40 selected channels accessible live from multiple devices (including smartphones and tablets) for a small monthly fee to low-end pay-television subscribers and at no extra charge to the Numericable Group's high-end pay-TV subscribers.

The Numericable Group's television offerings include a variety of public and private channels from broadcasters around the world, as well as special interest channels covering all customer segments, including information, sports, music and home shopping channels. The Numericable Group's high-end quadruple-play package (the ''Platinium'' package) includes 320 channels (including 54 HDTV channels) and is, the Numericable Group believes, one of the most comprehensive television channel packages currently available in France. Group customers may also purchase up to six additional themed and bundled packages including digital channels and bundled channels, such as Pass Cinema and Pass Sport. Customers may also add-on additional channels, such as the Orange Cinema Series packages, BeIn Sport and Canal+. The Platinium package also offers broadband internet access with a download speed of up to 200 Mbps for subscribers connected to the EuroDocsis 3.0 portion of the Numericable Group's network, and up to 30 Mbps for subscribers connected to the EuroDocsis 2.0 portion of the Numericable Group's network, as well as a fixed telephone line with unlimited national and certain international calls.

The Numericable Group licenses its television programming content from third-party content providers, entering into agreements directly with authors' groups in France, including SACEM (*Société des auteurs, compositeurs et editeurs de musique*, or the French Society of Music Authors, Composers and Editors), broadcasters and distributors. In general, the Numericable Group pays license fees based on subscriber numbers to these content providers and the agreements with certain providers require the Numericable Group to pay minimum guaranteed amounts. The Numericable Group also pays royalties based on its subscribers' usage of on-demand content, such as VOD (see ''*—Research and Development, Patents and Licenses—Licenses, Usage Rights, and Other Intangible Assets—Third-party Copyrights*'').

(b) Broadband Internet

For the year ended December 31, 2013, the Numericable Group delivered B2C Internet services to approximately 1.4 million subscribers, including approximately 1.0 million multi-play subscribers and 193,000 stand-alone TV subscribers. The Numericable Group offers ''always on'' high-speed broadband Internet with a download speed of up to 200 Mbps in the EuroDocsis 3.0-enabled part of the Numericable Group's network and up to 30 Mbps in the EuroDocsis 2.0-enabled part of the Numericable Group's network. The Numericable Group's broadband Internet offerings typically include a free wireless broadband router, an account with up to 30 e-mail addresses, up to 200 MB of personal webpage space and parental control services. The Numericable Group believes that its broadband Internet offerings are the most advanced available in France.

The Numericable Group's B2C Internet strategy is to provide a superior product with premium pricing by outperforming competitors in terms of upstream and downstream speed, product features and service quality. The Numericable Group is well positioned to be a broadband Internet market leader in those parts of France where its services are available.

The Numericable Group also offers DSL services to its subscribers moving to homes that are not connected to its fiber/cable network. The Numericable Group had 8,340 double-play DSL customers as of December 31, 2012 and 24,871 double-play DSL customers as of December 31, 2013. The Numericable Group also recently introduced a new DSL triple-play package open to subscribers outside the Numericable Group's network area. See the description below.

(c) Fixed-Line and Mobile Telephony

For the year ended December 31, 2013, the Numericable Group had approximately 1,024,000 fixed-line telephony subscribers. The Numericable Group primarily sells fixed-line telephony services in its triple- and quadruple-play packages because most installed cable broadband routers are equipped with, or can be easily exchanged for, a broadband router with two voice ports. These packages include unlimited calls from the fixed-line telephone to fixed and mobile phones in France as well as to fixed phones in certain international destinations (and mobile phones in a few international destinations), which is the market standard for triple- and quadruple-play packages in France.

The Numericable Group offers mobile telephony services under its own brand name through the nationwide 3G network of Bouygues Télécom pursuant to several MVNO agreements in place since 2010. The agreements relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012. The data transmission services agreements were automatically renewed for an indefinite term, subject to termination by either party upon twelve months' notice. The voice transmission services agreements will be automatically renewed in 2017 for an indefinite term, subject to either party providing notice of termination six months prior to the original expiration date. Once automatically renewed, the agreements may then be terminated by either party upon twelve months' notice. These agreements may not be renewed or may be renewed on less favorable conditions. While the Numericable Group pays a fee to Bouygues Télécom in exchange for access to the latter's wholesale network, the mobile market is one where lower-cost unlimited calling contracts are becoming the norm and where margins are thus structurally limited, in particular following Free's entry into the market at the beginning of 2012. The Numericable Group's mobile telephony business is dependent on its contractual relationship with its provider; as the Numericable Group has not installed the necessary equipment, it does not have full-fledged MVNO status. For example, the Numericable Group's MVNO contract does not currently allow the Numericable Group to access the 4G network of its provider, nor to transfer its clients' mobile usage to the Wi-Fi network.

These MVNO agreements enabled the Numericable Group to introduce a quadruple-play offering in 2011. The Numericable Group currently offers a broad range of mobile telecommunications products and services, including mobile voice services and data services, such as SMS, MMS, games, news and music services. While the Numericable Group's mobile services customer base is small and its core focus is on its other offerings, it believes that its ability to offer mobile services is an important marketing and competitive tool, contributing to its brand image and helping to reduce churn.

The Numericable Group had approximately 113,000 mobile subscribers as of December 31, 2012 and approximately 186,000 as of December 31, 2013. Nearly all such subscribers were quadruple-play subscribers. Approximately 20% of the Numericable Group's new subscribers in 2013 subscribed to quadruple-play offers. Mobile subscriptions added approximately €1.5 to the Numericable Group's monthly ARPU as of December 31, 2013. Stand-alone mobile telephony services are offered at prices ranging from €1.99 to €29.99 per month. In January 2012, following Free's entry into the mobile telephony market, the Numericable Group revised the quadruple-play packages available to its new and existing quadruple-play customers. The Numericable Group began offering a SIM card and additional mobile telephony services as part of a quadruple-play package for an additional fee ranging from no charge (Basic Mobile Package) to €15.99 (Ultra-Mobile Monde Package) per month. These packages are the same as those offered to the Numericable Group's stand-alone mobile telephony customers, but are offered at a discount when part of a quadruple-play package. They include unlimited calls in France and to 40 international destinations in Europe and North America, unlimited text messages and up to 3 GB of mobile Internet. Subscribers do not have to commit to a minimum contractual period. This is the only unlimited mobile service at this price available in stores, with in-person customer service, unlike Free, B&You (Bouygues Télécom's ''low-cost'' mobile offerings), Sosh (Orange's ''low cost'' mobile offerings) and Red (SFR's ''low cost'' mobile offering), which are only available online. The Numericable Group believes that it provides its customers with one of the best value-for-money mobile telephony offers in France with unlimited national calls (both to fixed and mobile telephones), unlimited text messaging and unlimited national data access.

Direct costs of the Numericable Group's fixed-line and mobile telephony business are the interconnection and termination fees payable to other telephony operators on a periodic basis. Ongoing fixed-line capital expenditures expenses are predominantly driven by incremental subscriber take-up. Since it is not a ''full MVNO,'' the Numericable Group has to date had almost no mobile telephony capital expenditure.

(d) Triple- and Quadruple-Play Services

The Numericable Group offers triple- and quadruple-play services to customers who are connected to the portion of its network that has been upgraded to bi-directional capacity (using either EuroDocsis 3.0 or EuroDocsis 2.0 technology); this portion represented approximately 85% of the Numericable Group's overall network as of December 31, 2013, based on homes passed. The Numericable Group expects to have increased the number of homes connected with FTTB/EuroDocsis 3.0 by 408,000 in 2013 and intends to continue to upgrade its cable network in the coming years. See ''—The Numericable Group's Network—Recent and Planned Network Investments.'' As of December 31, 2013, the Group had approximately 765,000 subscribers on EuroDocsis 3.0 and approximately 645,000 subscribers on EuroDocsis 2.0 (including white label users).

Subscribers to the Numericable Group's B2C multi-play offerings represented approximately 79% and 82%, as of December 31, 2012 and December 31, 2013, respectively, of the Numericable Group's direct digital subscribers and approximately 73% and 77%, respectively, of the Numericable Group's overall direct subscribers. The Numericable Group had approximately 972,000 and 1.041 million multi-play subscribers, as of December 31, 2012 and December 31, 2013, respectively, representing an increase of 3.6% and 7.0%, respectively, from the multi-play subscribers the Numericable Group had as of December 31, 2012 and December 31, 2013, respectively.

The Numericable Group's triple- and quadruple-play offers combine several services into bundled packages, thereby enabling subscribers to conveniently order television, broadband Internet and fixed and/or mobile telephony services together. The Numericable Group provides these services to address the growing needs of customers looking to receive their media and communications services from a single provider at an attractive price. The bundling options introduced by the Numericable Group allow its subscribers to combine cable television, broadband Internet and fixed and mobile telephony services for a price lower than the one they would pay by separately subscribing to each of these services.

The Numericable Group believes that its triple- and quadruple-play packages are among the most attractive currently available in France, due to the high quality of the television and Internet services provided on coaxial cable and fiber, compared to those provided by the Numericable Group's DSL competitors that also offer multi-play packages. The Numericable Group currently offers seven packages: iStart (available only on the Internet), Start, iPower, Power, Power+Family, Power+Extra and Platinium. The entry-level packages, which include iStart and Start, primarily target students and young professionals. While iStart only includes television channels available for free through DTT, Start offers 200 channels. Both iStart and Start include broadband Internet at a maximum download speed of 100 Mbps. The premium packages, which include iPower, Power, Power+Family, Power+Extra and Platinium, offer higher Internet speeds, more diverse television content and, the Numericable Group believes, more interactive and innovative services than the offerings of the Numericable Group's DSL competitors. These premium packages also include 240-320 digital television channels, 60 of which are accessible through the Numericable Group's OTT cloud support for remote access on multiple devices (including tablets and smartphones) at no extra charge (TV Everywhere), broadband Internet access at download speeds of up to 200 Mbps for subscribers connected to the EuroDocsis 3.0-enabled portion of the Numericable Group's network and up to 30 Mbps for subscribers connected to the EuroDocsis 2.0-enabled portion of the Numericable Group's network, and fixed line telephony with unlimited national and certain international phone calls. The Power package also offers a smartphone or tablet for an additional €1.

In May 2012, the Numericable Group began marketing ''LaBox,'' an integrated set-top box and cable router that it offers to certain triple-play and quadruple-play customers. The Numericable Group had delivered more than 121,000 units of LaBox as of December 31, 2012 and approximately 300,000 as of December 31, 2013. As of December 31, 2013, the Numericable Group had over 300,000 LaBox customers, representing a penetration rate of 32% of the Numericable Group's multi-play customers. The Numericable Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market. In February 2013, the French magazine Capital designated LaBox as the best set-top box on the French market.

This new set-top box and cable router has four tuners that enable subscribers to record two television programs simultaneously while watching a television program, as well as to watch different channels in different parts of the house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has a four-tuner HD and 3D capability and also includes an 802.11n Wi-Fi router, a removable Blu-Ray reader, and a removable 160 Gb PVR or optional 500 Gb PVR which allows it to hold over 110 hours of HD or approximately 280 hours of SD programming. The optional Blu-Ray DVD player is available to customers who put down a €100 deposit when they subscribe to an offer including LaBox (in addition to the €75 base deposit required when subscribing to LaBox). LaBox includes an optimized interface for watching HD YouTube videos on a television screen, with an integrated search engine and personalized access, also offering screen splits that enable customers to watch a show and simultaneously follow comments on Twitter or Facebook on the same television screen. A Google search line is also integrated in the interface. Smart phones and tablets can act as ''remote controls'' for LaBox, allowing users to navigate the interface with their personal handheld device as well as to control LaBox recording of programs remotely through the application ''TV Mobile.'' LaBox also includes a VOD price comparison engine and intelligent content search, and up to two shows can be watched (through picture in picture) and two shows recorded simultaneously. LaBox costs the Numericable Group approximately €200 per unit (not including €75 passed on to its customers by way of a security deposit), as compared to €135 per unit for the previous set-top box and modem. As a result, the cost that the Numericable Group incurs for each unit of LaBox is similar to the cost it incurred for its previous generations of set-top boxes. LaBox has generated increasing ARPU for the Numericable Group as the proportion of high-end sales has increased and has allowed the Numericable Group to attract new customers to its network. Approximately three-quarters of gross new customer adds for the period from September 30, 2012 to December 31, 2013 were for the Numericable Group's high-end multi-play offerings (in particular, iPower, Power and Power+, as further described below).

Packages with LaBox deliver:

(a) Internet, at download speeds of up to 200 Mbps, and upload speeds of up to 10 Mbps to homes that are connected to a EuroDocsis 3.0 fiber/cable network, and at 30 or 100 Mbps to other homes, and a Wi-Fi connection of up to 300 Mbps;

(b) digital television services, with the option of receiving over 300 television channels (including Cine+ channels, all Disney channels, all music channels from MTV, Discovery, National Geographic, Planete+, Eurosport and ESPN America HD); and

(c) fixed-line telephony services, with two telephone lines and unlimited calls to all of mainland France.

The table below compares the set-top boxes of the Numericable Group's competitors (on the basis of publicly available information) and LaBox:

	Numericable's LaBox	Free	Orange	Bouygues Télécom	SFR	Canal+
Maximum Speed	30/100/200 Mbps	28 Mbps(1)(2)	28/200 Mbps	28/200 Mbps	28/300 Mbps(1)	—
Processor	Intel	Intel	Intel	Intel	ST	ST
HD Quality (TV)	Full HD	IPTV	IP TV	Full HD	IP TV	Full HD
Blu-Ray	Blu Ray 3D	Blu Ray	Blu Ray 3D	No	No	No
Removable hard drive	500 Gb	250 Gb	320 Gb	320 Gb	40 to 200 Gb	320 Gb (external)
HTML 5	Yes	Yes	Yes	No	No	No
YouTube on the TV	HD	Basic	Basic	No	No	No
Open Internet	Yes	Yes	Yes	No	No	No
Social Networks	Yes	Yes	Yes	No	No	No
Remote keyboard	Yes	No	Yes	No	No	No
Split screen	Yes	Yes	No	No	No	No
Multi-tuner	2+2	1+1	1+1	1+1	1+1	1+1

(1) Can also be used on FTTH with max speed of up to 1Gbps, but volume is low.

(2) On October 1, 2013, Iliad announced that it would increase fiber download speeds to 1Gbps and fiber upload speeds to 200Mbps, without making price changes, for subscribers within its enabled network. This announcement led to a press release by ARCEP published on the same day in which ARCEP insisted on ''emphasizing the partial and sometimes inaccurate character of Free's announcements regarding its very high speed fixed broadband offers.''

The content and price of each of the Numericable Group's six main packages are summarized in the table below:

Package	Television	LaBox Available as an Option	Maximum Internet Speed	Fixed-Line Telephony	Mobile Line Telephony	Price per Month
iStart	Free DTT channels, including 10 HD channels	No	100 Mbps	Unlimited calls to fixed and mobile lines in France and 100 other countries	N/A	€27.90 (online offering only)
La Box Start	200 channels, including 10 HD channels	Yes	200 Mbps	Unlimited calls to fixed and mobile lines in France and 100 other countries	N/A	€39.90
La Box Power	240 channels, including 34 HD channels and 40 premium content channels	Yes	200 Mbps	Unlimited calls to fixed and mobile lines in France and 100 other countries	60 minutes of voice and unlimited text messages A tablet or smartphone for €1.	€45.90
La Box Family	280 channels, including 41 HD channels and 80 premium content channels	Yes	200 Mbps	Unlimited calls to fixed and mobile lines in France and 100 other countries	60 minutes of voice and unlimited text messages	€55.90
La Box Extra	300 channels, including 41 HD channels and 80 premium content channels	Yes	200 Mbps	Unlimited calls to fixed and mobile lines in France and 100 other countries	60 minutes of voice and unlimited text messages	€77.90
La Box Platinium	320 channels, including 41 HD channels and 80 premium content channels	Yes	200 Mbps	Unlimited calls to fixed and mobile lines in France and 100 other countries	60 minutes of voice and unlimited text messages	€98.90

In addition, the Numericable Group's customers may subscribe to add-on packages of extra sports, movies, shows, adult, knowledge and discovery, music, lifestyle, youth, and world content, as well as premium channels like Canal+ or BeIn Sport (for example, a package combining Orange Cinema Series and BeIn Sport for €20 per month). The Numericable Group believes that its premium packages contain significantly more value than those of other triple and quadruple-play players in the French market, the former providing customers with (i) much faster download speeds through fiber as opposed to broadband DSL, (ii) higher quality TV through a dedicated cable distribution platform, (iii) multiple HD stream facilities, and (iv) the most comprehensive premium package for high-end pay television, including direct access to premium channels and content. Unlike the Numericable Group's customers, those of its triple and quadruple-play competitors need a separate CanalSat subscription to access exclusive content channels.

The Numericable Group offers a VOD pass to its subscribers beginning at €4 per month. The films are generally available on VOD four months after their release in theatres (as compared to six months on premium pay-TV (e.g., Canal+)). VOD purchases by the Numericable Group's subscribers contributed approximately €0.75 to the Numericable Group's monthly ARPU as of December 31, 2013.

Since the launch of the Numericable Group's quadruple-play packages in May 2011, triple-play and stand-alone digital television subscribers may add a mobile telephone subscription to their packages. The Numericable Group's basic mobile package is available for free to subscribers of the Numericable Group's premium quadruple-play packages. Subscribers also benefit from a discount on the Ultra Mobile Monde Package, which costs €15.99 per month for quadruple-play subscribers and €19.99 per month for stand-alone subscriptions.

In August 2013, the Numericable Group launched a new triple-play DSL offer (up to 20 Mbps), which offers consumers living outside the Numericable Group's cable zone the option to subscribe to a Numericable triple-play offer. As of February 2014, the following offers were available:

- *iStart* at €27.90/month including Internet up to 20 megas + unlimited national calls to fixed lines and to 100 international destinations;
- *Essentiel* at €35.90/month including the iStart offer + 50 television channels (including 14 replay channels);
- *Max* at €43.90/month including the iStart offer + 83 television channels (including 30 HD channels and 20 replay channels).

This new offer is based on a technological solution provided by the Numericable Group's partner TeVolution: an OTT solution based on Adaptive Bitrate Streaming, and not on IP TV. TeVolution manages the provision of the television services, the content being owned by Numericable. These offers do not include all the advantages of the Numericable Group's cable/fiber offers, certain services being unavailable for the ADSL offer (certain interactive services such as VOD, replay services and certain channels). Subscribers must also pay €5/month to rent the Netgear STB 1100 HD set-top box (which includes the DailyMotion application and a VOD/TV search network). The availability of the television services requires a minimum speed of 2Mbps, which is lower than the speed required for IP TV technology.

The Numericable Group derives substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher monthly ARPU. The Numericable Group expects to continue to benefit from this trend and plans to continue marketing triple- and quadruple-play products aggressively.

Analog Television Services

Analog television services consist of the broadcast of encoded analog audio and video signals. As of December 31, 2013, the Numericable Group's analog television package, which includes 30 analog channels, was provided to approximately 81,000 households located mainly in small and mid-sized cities in eastern France, which are connected to the Numericable Group's network but are not digital-television enabled. It is also provided to legacy customers on the remainder of the Numericable Group's network who have chosen not to upgrade to one of the Numericable Group's digital packages.

Following the European Commission's communication of May 24, 2005 that EU member states cease analog television transmission and switch to DTT by January 1, 2012 and the ''France Digital Plan 2012'' adopted in October 2008 by France to promote the development of the digital economy, the deployment of DTT rapidly expanded and full transition to DTT broadcasting was completed in November 2011. DTT allows the public to receive a free television package that is comparable to the Numericable Group's analog package. In response, the Numericable Group has developed targeted promotional triple-play offers designed to migrate existing analog customers to digital television, where the upgrade of the Numericable Group's analog network to digital made economic sense. Certain of the Numericable Group's analog customers are, however, located in areas where the Numericable Group's network is limited to analog services: upgrading such customers to digital television and Internet offers is not technically possible without the Numericable Group investing in the deployment of a fiber/cable network. The Numericable Group therefore intends to continue providing analog services to such customers until demand decreases to a level that is not economically viable.

The Numericable Group experienced a peak in its loss of analog television subscribers during the time of the full transition to DTT, as customers became aware of the availability of free, high-quality DTT channels. As a result, the Numericable Group's analog television subscriber base decreased from approximately 263,000 subscribers as of December 31, 2009 to approximately 195,000 as of December 31, 2010 and 133,000 as of December 31, 2011. The loss of customers then slowed, dropping to 103,000 subscribers as of December 31, 2012 and 81,000 subscribers as of December 31, 2013. The Numericable Group expects its analog customer base to continue to decrease in the coming years and ultimately to phase out this service.

Bulk Services

The Numericable Group offers bulk services to housing associations and multiple-dwelling unit managers, such as managers of government subsidized housing, who in turn offer them to their residents. The Numericable Group offers housing associations and multiple-dwelling unit managers a bulk triple-play package that includes a basic digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps, unlimited inbound fixed-telephone calls, and free Internet and telephony modems. The Numericable Group also offers a stand-alone analog television package to its bulk subscribers, though the subscription rate of this package is far below the Numericable Group's bulk triple-play offering. Subscription fees are paid directly, by the multiple-dwelling unit manager, generally on a quarterly basis, irrespective of whether the Numericable Group's services are actually used by the residents, thereby limiting collection risk. The Numericable Group's SUN offering aims at deploying digital service to a new customer base in order to promote cross-selling and to reduce piracy. Approximately 70% of the homes passed in the Numericable Group's bulk services division are in government subsidized housing.

The Numericable Group provided services to approximately 1.8 million individual subscribers under bulk contracts as of December 31, 2013. However, it does not have direct contact with such individual subscribers, as the contracts are entered into only with the building managers or the housing associations.

The Numericable Group's bulk services customer base has decreased slightly but proven resilient over the years, providing the Numericable Group with a steady revenue stream. Bulk services generated combined revenue of €70.0 million in 2011 and €70.1 million in 2012, and consolidated revenue of €68.6 million in 2013. Although the Numericable Group's contact with bulk individuals subscribers is limited, the Numericable Group believes there are opportunities to up-sell individual triple-play and quadruple-play packages to the end-users of its bulk services. The Numericable Group uses targeted sales forces to encourage more of its end-users to switch from a bulk subscription to an individual subscription. In buildings where there is a bulk contract, the Numericable Group's sales teams utilize targeted sales approaches (door-to-door, suggested neighbor meetings to discuss Numericable services, etc.).

White Label (Fiber)

The Numericable Group provides white label dual-play or triple-play access lines to third-party operators through fiber access technologies. The Numericable Group first began providing triple-play white label fiber services in October 2009 to mobile phone operator Bouygues Télécom. It also provides white label dual-play and triple-play access lines to third-party operators through DSL (mainly unbundling); this business line is included in its wholesale segment (see ''—*Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*'').

These white label triple-play services are sold under long-term contracts and are tailored to the needs and requirements of each of the Numericable Group's customers. Bouygues Télécom is currently the Numericable Group's sole fiber white label customer (following its acquisition of Darty's telecommunications business in July 2012). Services provided to Bouygues Télécom include television content and broadband Internet, but not the fiber set-top box. For a description of the main terms of the Numericable Group's fiber white label contract with Bouygues Télécom, see ''—*Material Contracts—White Label Contracts*.'' The Numericable Group is also able to adapt terms to the evolving needs of clients: for example, in 2013, an amendment to the contract with Bouygues Télécom increased the maximum Internet download speed to 200 Mbps as from 100 Mbps.

White label services allow the Numericable Group to leverage the usage of its network, benefit from significant distribution networks of partners and reach customers it would not otherwise reach through its B2C offerings. This in turn enables it to acquire end-users without the associated acquisition costs under long-term commercial terms.

As of December 31, 2013, the Numericable Group provided fiber white label triple-play services to approximately 363,000 end-users.

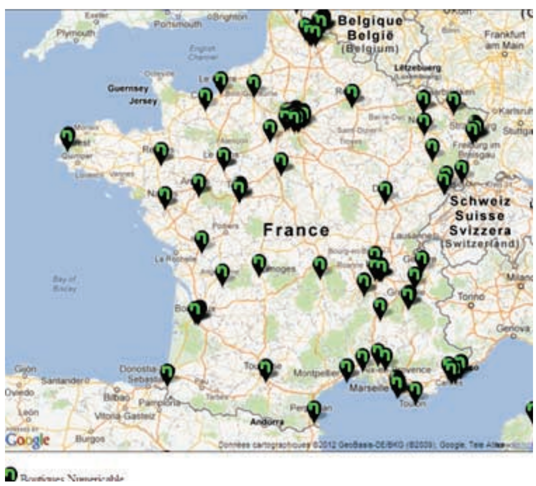
Subscription Fees

The Numericable Group reviews its pricing policy regularly and, in the past, has increased subscription fees in line with inflation and in response to market conditions and the evolution of content costs. The pricing of all of the Numericable Group's services, including triple- and quadruple-play packages, is dependent on market conditions and pricing by competitors with similar offerings. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Pricing*'' for more information.

Sales and Marketing

The Numericable Group markets its products directly to individual subscribers using a broad range of sales channels, primarily through its own sales outlets, retail outlets, its website, inbound and outbound telesales as well as through door-to-door sales. Sales through the Numericable Group's stores and door-to-door sales typically provide a higher ARPU, as the Numericable Group's sales staff is more able to promote its premium offerings through these sales channels compared to web-based sales and telesales. The Numericable Group currently outsources its door-to-door sales services. The Numericable Group's local stores offer product demonstrations, enabling the sales teams to promote and support sales of LaBox and premium packages. The Numericable Group has divided its sales network in France into four regions and 165 selling zones, each under the responsibility of a local manager. Each zone has its own detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction.

The following map illustrates the selling zones and store presence of Numericable in France:



Numericable stores (including franchise locations)

As of December 31, 2013, the Numericable Group had 149 Numericable stores in France, approximately 60% of which were run as franchises under exclusive distribution agreements. The Numericable Group's network of Numericable stores generated approximately 27% of its gross customer adds in 2012. The Numericable Group continues to establish retail partnerships with leading French retail outlets (including Boulanger, Carrefour and Cora) as part of its proximity sales strategy. As of December 31, 2013, the Numericable Group had over 250 retail sales points operating through such retail partnerships. Sales made at these retail sales points accounted for approximately 10% of the Numericable Group's gross customer adds in 2013. The Numericable Group expects to increase the number of stores and decrease the number of retail sales points.

In order to encourage web-sales of the Numericable Group's non-premium packages, certain products and services may be sold at a lower price online. Certain of the Numericable Group's offerings, such as the iStart package (access to very-high-speed broadband Internet and DTT channels), are marketed exclusively through the Numericable Group's website.

Sales made through the Numericable Group's stores, distributors, website, door-to-door sales and telesales accounted for approximately 28%, 10%, 28%, 9% and 25% of gross customer adds for the year ended December 31, 2013. The Numericable Group uses different channels in each retail zone depending on its presence and success in that zone. For example, in areas where the Numericable Group has a low penetration rate, door-to-door sales can be a way for the Numericable Group to become more well known, with this marketing method resulting in increased sales through other channels.

The Numericable Group also has a separate sales team in charge of its sale of bulk services to building managers or housing associations.

The Numericable Group's marketing department is responsible for designing and promoting new products and services to customers, with a particular focus on campaigns for triple- and quadruple-play packages. The Numericable Group has marketed its B2C products and services under the brand name ''Numericable'' since 2007 and has rebranded the products and services of the cable providers acquired since that time.

Customer Service and Billing

The customer service function is responsible for all customer care activities, including handling customer queries and complaints. This function also handles inbound telesales. The Numericable Group outsources most customer care functions to third-party service providers. Such providers use operating procedures, tools and training that are provided by the Numericable Group. A team of in-house specialists handles the most complex customer care issues.

The Numericable Group has high-quality Customer Relations Management (CRM) systems in place, which enable it to better manage customers who recently subscribed to its services, identify customers at risk of churning, put in place an expert team in charge of complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers. The Numericable Group's annualized churn rate for individual B2C subscribers totaled 19.4% in 2011 (reflecting the official termination of analog terrestrial television transmission and the switch to DTT), 18.6% in 2012 and 19.0% in the first half of 2013. The Numericable Group's churn rate is higher than the market standard due to its smaller fiber/cable network footprint and the effect of customers leaving it.

Recent surveys have shown high customer satisfaction rate for the Numericable Group's products and services. Numericable was also ranked first in several online surveys on French broadband Internet providers carried out in December 2013 by the website 01net. The quality of the Numericable Group's broadband Internet offering has also been confirmed by NetIndex.com, a website that anonymously compiles global Internet speed data, which ranked Numericable ahead of Bouygues Télécom, Free, Colt and Orange in France for the speed of the Numericable Group's Internet broadband offering over the period January 2012 to December 2013. IP-Label Newtest, which measures for 01net the performance of broadband Internet providers in Paris and in the French provinces, ranked Numericable first in terms of quality of triple-play offerings provided in the year ended December 31, 2013. In February 2013, the French magazine Capital designated LaBox as the best set-top box in the French market. In addition, in a study conducted by the ARCEP in 2013, the Numericable Group was recognized as having the lowest failure rates (0.6% for Numericable, compared to 1.4%, 1.2%, 2.2% and 1.2% for Orange, SFR, Bouygues Télécom and Free, respectively), the best time for setting an initial connection (7 days for Numericable, compared to 9 days, 13 days, 14 days and 17 days for Orange, SFR, Bouygues Télécom and Free, respectively) and one of the best voice qualities in France.

New subscribers commit for a period of 12 months.

An increasing number of subscribers install their own set-top boxes (60% of new individual subscribers in 2010 compared to 65% in 2012 and 70% in 2013).

Billing is handled internally by the Numericable Group. The Numericable Group offers its individual customers the choice between electronic and paper statements, various prepayment options as well as the ability to pay by direct debit. As of December 31, 2013, approximately 88% of the Numericable Group's customers had opted for direct debit payments.

B2B Segment

General Presentation

The Numericable Group provides business customers with a comprehensive service offering, which includes voice services, either traditional switched voice or VoIP, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. As of December 31, 2013, the Numericable Group's fiber network served more than 10,000 business and public sector sites directly (and approximately 800 additional sites through third party fiber connections), and its DSL network served more than 80,000 business and public sector sites. See ''—*The Numericable Group's Network—Network Overview*'' for a map of the B2B network.

The Numericable Group's business customers are small, medium and large corporations, as well as public institutions, often with multiple sites requiring multi-site data connectivity services (IP-VPN). Business services to large corporates and public institutions are based on standard building blocks that are customized and assembled to meet the requirements of the Numericable Group's business customers. For example, each customer can choose the bandwidth, type of technology and level of service that is necessary for accurate response time in its own IT environment. As the Numericable Group has been historically well-positioned with large B2B clients, it intends to focus increasingly on the midmarket, a market which it has left largely untapped, but whose demand for value-added services (IP, cloud services, security services, etc.) and broadband data services (data centers, VPNs, Ethernet ports, etc.) is growing. In 2012, the Numericable Group began using indirect sales channels to support its targeting of this mid-market segment, including 250 distributors and 46 indirect sales people, increasing its distribution footprint and accelerating order intake.

In the B2B segment, the Numericable Group, under the Completel brand name, is the second largest alternative operator to the incumbent Orange. One of the strengths of the Numericable Group's B2B business is in its powerful fiber metropolitan area networks located in large urban areas. The Numericable Group made the choice to invest in these separate metropolitan area networks located in large urban areas and to connect them to its backbone and now has 80 MAN, covering the main business areas in France. In addition, the combination of the Numericable Group's fiber MANs with its DSL networks provides a key technological edge in the B2B market, enabling it to deliver customized products and services at competitive pricing. Its fiber network is also flexible with its high capacity bandwidths ready for future services that will require an even greater bandwidth capacity and reliability. The Numericable Group also has three datacenters, in Paris, Rouen and Lyon, to support its cloud and hosting services.

The Numericable Group had approximately 22,000 B2B customers as of December 31, 2013. The Numericable Group's B2B business contributed €309.6 million to the Numericable Group's revenue (24.8% of Numericable Group's consolidated revenues) in the year ended December 31, 2013.

The breakdown by amount of revenue generated by the B2B segment (before elimination of inter-segment sales) by product type for 2011, 2012 and 2013 are set forth below:

	Year ended December 31,		
	2011	2012	2013
	(€ in millions)		
Voice	152.2	133.9	115.5
Data	179.0	190.6	197.1
Total B2B revenue	**331.1**	**324.5**	**312.6**

The Numericable Group focuses on growing its B2B business profitability. It monitors trends in this segment using an indicator of increased revenue generated by the new B2B contracts, a measurement which indicates the recurring monthly value of new orders in a given period. This reflects additional revenue from new contracts signed during a given period. It is comparable to the product of the ARPU of new customers multiplied by the volume of new customers in the B2C segment. The following table shows the amount of additional revenue as a result of new B2B contracts generated from the contracts signed in 2011, 2012 and 2013.

	Year ended December 31,		
	2011	2012	2013
		Unaudited (€ in thousands)	
New orders revenue	5290.0	5,659.7	6,657.0

The Numericable Group's B2B Services

Fixed Voice

The Numericable Group's B2B product and service offerings cover the entire fixed voice needs of businesses, which encompass standard inbound and outbound calls using its switched voice network and, increasingly, VoIP technology, as well as its customized network architecture solutions based on fully digitalized technologies, including IP.

While large corporates generally have their own infrastructure or will have the infrastructure necessary to their fixed voice solutions installed, medium-sized companies often seek solutions that minimize the need to install such infrastructure. For example, large corporates will install servers at their sites to enable them to use VoIP services provided by the Numericable Group. This offering enables customers to centralize their telephony needs on their principal sites by centralizing all of their telephony equipment on the customer's central site. This solution enables companies to rationalize costs of equipment and to route all of their internal calls through their data network. VoIP services may also be used as a back-up.

Medium-sized companies often choose to use the Numericable Group's Centrex IP service, which uses a Group server located in a data center, rather than on their own site, as the cost of the server is shared with other B2B customers using the Centrex IP service. The Numericable Group's Centrex offer was enhanced in 2009 with the acquisition of B3G, a French leader in Centrex and IP telephony for businesses.

In addition, the Numericable Group provides B2B customers with tools to manage their telephone services, such as routing and intelligent management of incoming calls to customer service lines. An Extranet service managed by the Numericable Group provides customers with access to detailed traffic reports and billing.

The Numericable Group also offers free phone services and premium-rate services (known as ''800 numbers'' in France), although it expects this business to decline in coming years as the Numericable Group focuses on more profitable segments.

As of December 31, 2013, the Numericable Group provided fixed telephony services to more than 15,000 corporate and public institutions and managed more than 70,000 Centrex lines. Based on its own estimates it believes it is the leading provider in France of IP Centrex. The Numericable Group believes that it transports more than 12 billion minutes of voice traffic per year.

Fixed Data

The Numericable Group offers a complete range of fixed data services to the French B2B market. The Numericable Group provides Internet access, transport, multi-site data connectivity, VPN, LAN to LAN, security, messaging and hosting and other value added services to business customers. Its hosting services are based on its three datacenters, and its cloud service offering is based on two of such datacenters.

The Numericable Group offers a wide range of Internet solutions to meet customers' expectations in terms of network reliability, data housing security and connection quality. Along with the Numericable Group's own IP network, the Numericable Group has access to a ''peering'' network with other operators and Internet providers present in France as well as with major international players. As with fixed telephony services, customers may connect their central site to the Numericable Group's fiber optic network for the best quality and to the Numericable Group's DSL network for remote sites.

(i) Worksites Connection and Housing (IP VPN, LAN to LAN, SAN to SAN)

The Numericable Group provides a complete range of services to connect work sites through secured Internet and database housing. A customer can connect its various work sites and affiliates through LAN to LAN Ethernet or with IP (IP VPN) and have high-speed Internet access combined with safe solutions for the housing system and easily manageable selling platforms. The Numericable Group's housing solutions are backed by a high flow telecommunications structure that improves the availability of applications.

The Numericable Group offers IP VPN services that enable businesses to send and receive data across a private, secure network, through a virtual point-to-point connection. The Numericable Group's services are adaptable to the technical and functional requirements of the customer's infrastructure, with flexibility in terms of bandwidth, connection technology and management of strategic flows (VoIP, Visio) and the customer's network. The Numericable Group's IP VPN offering was enhanced in 2010 with the acquisition of Altitude Télécom, a French specialist in IP VPN with the know-how to connect a multitude of sites (before its acquisition by the Numericable Group, Altitude Télécom connected approximately 30,000 sites in France on approximately 1,000 VPNs). This know-how enabled the Numericable Group to recently win contracts such as the French Notaries Association (Notaires de France) (connecting thousands of notary offices across France) and Volkswagen (connecting hundreds of dealerships across France).

The Numericable Group offers LAN to LAN services that are adaptable to the business' specific protocols, which allow customers' LAN to operate as if they were located within the same building. The Numericable Group also offers SAN to SAN services that enable customers to securely interconnect and synchronize their information technology platforms in remote locations. Companies thus benefit from data disaster recovery solutions through redundancy on separately located sites and flexibility, permitting both simple copies as well as total and synchronized redundancy.

The Numericable Group is the second largest Ethernet operator in France, connecting approximately 4,000 sites, and the third largest IP operator, connecting over 80,000 sites in France (Source: Group estimates).

(a) Cloud Services and Hosting

The Numericable Group has adapted to the changing telecommunications environment by deploying a full range of cloud services, including external flexible telephony services, messaging and security solutions and hosting services (i.e., servers and platforms). The Numericable Group focuses in particular on providing ''infrastructure as a service'' (''IaaS''), which provides customers with the benefits of infrastructure without having to invest in it.

Combining IaaS with the Numericable Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging the Numericable Group's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Numericable Group currently has three major data centers, of which two are able to provide its IaaS package.

In France, the security of information systems and the data included therein requires careful management, including

- hosting in data centers located in France, in order to benefit from French data protection laws; and
- hosting in a private, secure, closed network, in order to lock and control access from all points.

The Numericable Group's cloud solution provides information systems hosted on IaaS platforms located in one of two Group data centers, which are completely secured through the Numericable Group's private network. Data are hosted within an infrastructure and network that is completely closed (LAN to LAN or VPN), independent from the Internet, in the Numericable Group's data centers located in France and therefore not subject to foreign jurisdiction.

(b) Completude and Completude Max Offers for the Midmarket

Originally focused on large corporates, the B2B segment has recently begun targeting the medium-sized enterprises. The Numericable Group has a packaged offering for the midmarket Completude which bundles fixed voice, data and additional services, offering a global solution for B2B customers for

Internet access, unlimited telephone calls to fixed lines, and 45 international fixed destinations and other technical solutions such as type fax to mail and email voicemail. The Completude offer generates relatively high margins despite its low price. The Numericable Group's premium package, Completude Max, offers broadband Internet at symmetrical speeds of up to 100 Mbps through the Numericable Group's FTTB network for the same price as the slower DSL offers of its competitors. Over 500 corporate and public institution sites used Completude Max as of December 31, 2013.

The following table compares the Completude and Completude Max offers:

	Offer	Price	Comparable Orange Offer
Completude	Telephony and Internet Access (8 Mbps)	€470 per month	More than 800€
Completude Max . . .	Telephony and Internet Access (100 Mbps)	€720 per month	N/A

Customers

As of December 31, 2013, the B2B segment had approximately 600 large B2B clients, including corporations such as EDF, Air France, M6, Groupama and Société Générale and public entities such as the French Ministry of the Interior, the University of Rennes and the Paris City Hall (Mairie de Paris). The Numericable Group's ten largest clients accounted for approximately 11% of B2B revenues in 2013 (and no client individually accounted for more than 3% of B2B revenues).

As of December 31, 2013, the B2B segment had approximately 12,000 midmarket clients. The proportion of medium-sized companies that are customers of the Numericable Group's B2B segment has grown as medium-sized companies' needs shift from traditional telecommunications services (e.g., telephony and Internet) to value-added services, such as IP and cloud services, and require more and more bandwidth. The midmarket sector is viewed as a key opportunity for the Numericable Group as data needs grow and the Numericable Group's expertise and direct and indirect sales force can be leveraged.

Public entities are also important customers of the B2B segment. Local municipalities, government agencies and other public institutions, such as hospitals, have a high degree of local calls and depend heavily on local networks to provide their services. In addition, public entities need to obtain advanced technology to link up their different geographic sites at competitive prices. The Numericable Group is a key partner of national and regional public administrations. The acquisition of Altitude Télécom in 2010 solidified the Numericable Group's public administration customer base.

Contracts with B2B customers generally have an initial minimum period of one year (for voice services) and three years (for data services) but are renewable for an indefinite period of time, unless terminated by the customer or renegotiated. Contracts with public entities generally have a maturity of three to five years, following mandatory formal calls for tender. Information regarding the churn rate for the B2B segment is provided in ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Performance Indicators—Churn*.'' The Numericable Group renewed major contracts between 2011 and 2013 (including contracts with EDF and EADS).

In the year ended December 31, 2013, the Numericable Group's contract wins included Groupama, which uses the Numericable Group's IP-VPN and LAN to LAN solutions for the connection of its sites; Digital Cut, which the Numericable Group assists in the modernization of infrastructure and private fiber network access; the City of Paris, to which the Numericable Group provides VPNs and fiber and DSL internet access, covering 1,000 sites and four public organizations; the City of Marseille, to which the Numericable Group provides telemonitoring services, Manpower, to which the Numericable Group provides Trunk SIP and VGA services; and Hotel B&B, to which the Numericable Group provides Global IP, FON, Internet, TV and other related services.

The Numericable Group believes that access to its network is a major competitive advantage. For example, the Numericable Group entered into an Internet access agreement with Française des Jeux pursuant to which the Numericable Group will provide Internet services to the company under two distinct network connections.

Marketing and Sales

The Numericable Group's B2B segment has a sales team that includes both direct and indirect channels. Its direct sales channel includes 170 sales engineers dedicated to the midmarket and 55 sales engineers dedicated to large corporates. Its indirect sales channels were established in 2012 and include 250 distributors led by 46 sales managers employed by the Numericable Group (who manage indirect sales though the distributors), increasing the Numericable Group's footprint and accelerating order intake. The Numericable Group addresses the large corporates market through dedicated sales engineers as well as indirect salespeople offering integrated services. The Numericable Group addresses the midmarket through dedicated sales engineers and a network of distributors managed by salespeople employed by the Numericable Group. Indirect sales channels people are managed by Group sales engineers and intended to help the Numericable Group to reach the midmarket in which local contacts are important. Indirect sales people include the Numericable Group's B2B market offers in the selection of offers that they market to medium-sized companies, alongside the offers of the Numericable Group's competitors.

The Numericable Group's sales engineers combine know-how, dynamism and experience and provide a strong regional and local presence and close relationships with local authorities and administrations. The Numericable Group's offering is customized to the needs of each of its large and medium-sized business customers. Through Completude and Completude Max, the Numericable Group is able to address the connectivity needs of smaller businesses on the basis of a more standardized package.

The Numericable Group's sales teams are able to determine the needs of customers and the best way to address such needs. In certain cases, the sales team may consider that the customer is best served through the wholesale segment, particularly large corporates with international needs and for which the Numericable Group may be able to provide a competitive offer in partnership with another operator.

Before signing a new contract, the Numericable Group evaluates such contract's acquisition cost (i.e., necessary capital expenditures) as compared to its value.

Customer Care

The Numericable Group's B2B segment has put in place a customer service structure specifically adapted to the service quality requirements of its B2B customers, including technical and administrative matters. Its computerized customer operations were upgraded through a specific program rolled-out in early 2012 and which provides for a centralized and adapted approach to customer relations.

The Numericable Group's standard service contract for B2B customers includes an undertaking to re-establish service within four hours. The Numericable Group's annual availability has been greater than 99.98% during each of the past six years. Its highly secure network and customer service are available 24 hours a day.

Wholesale Market

General Presentation

The Numericable Group offers a full range of wholesale products and services, including wholesale carrier services (voice and data), wholesale infrastructure services (dark fiber) and white label services.

- In wholesale voice carrier services, the Numericable Group provides voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capillarity, including national and virtual operators in France and international operators active in France.
- In wholesale data carrier services, the Numericable Group sells LAN to LAN data access links (including SDH and Ethernet) and optical fiber or DSL (unbundling) network connections to international or local operators with sub-scale networks in France.
- In wholesale infrastructure services, the Numericable Group sells network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network, to other telecommunications operators and offers related maintenance services. The Numericable Group also acts as building operator (*opérateur d'immeuble),* which consists of deploying vertical FTTH networks in apartment buildings and making such networks available to third-party operators and access providers under long-term IRUs. The Numericable Group also carries out fiber wholesale activities through a 95%-owned subsidiary called ''Sequalum'' (initially as a joint venture with Eiffage, a French construction company, and SFR Collectivités, a telecommunications infrastructure subsidiary of SFR which retains a 5% stake), established to plan, deploy and operate an FTTH very-high-speed fiber network in the Hauts-de-Seine District.

- The Numericable Group provides white label double-play or triple-play access lines through DSL (mainly unbundling) under long-term contracts, allowing its partners to sell triple-play packages under their own brand names to their own subscribers.

Following the combination of Numericable's and Completel's networks in 2008, the Numericable Group has been able to leverage the extensive footprint of its fiber and DSL networks. It has evolved from being a local wholesale player to being a wholesale player with international and national customers. It has a wide product portfolio and customer base, with more than 200 national and international operators as customers. The wholesale segment benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicate that the Numericable Group can better serve it through a wholesale offering to another operator. For example, the Numericable Group is now a wholesale provider to British Telecom, which provides B2B services to Société Générale. Société Générale required an international telecommunications operator and the Numericable Group was best suited for providing the portion of the services to be delivered in the French territory. Its wholesale segment enabled it to target this category of services.

The Numericable Group addresses the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators with an alternative to Orange , which is one of the main wholesale suppliers in France. The Numericable Group's wholesale customers include Bouygues Télécom, AT&T, Data Communications and Level 3 Communications.

The Numericable Group's wholesale business generated consolidated revenue (after inter-segment eliminations) of €140.0 million (10.7% of Numericable Group's consolidated revenues) in the year ended December 31, 2013.

Wholesale Market Product and Service Offering

Wholesale Carrier Services—Voice

The Numericable Group provides voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capillarity, including national and virtual operators in France and international operators in France. Fixed termination services enable an operator to use the Numericable Group's network to connect to another operator's network to which the customer is not connected. Fixed and mobile interconnection services enable an operator to use the Numericable Group's network to terminate communications on a third-party operator's fixed or mobile network to which it is not interconnected. This business is a legacy business from Completel.

Call termination charges are regulated by the ARCEP and have decreased in recent years for landline networks. From October 1, 2010 to October 1, 2011, the call termination charge for mobile calls applied by operators was set at €0.05 per minute. In July 2011 the ARCEP issued a decision setting the maximum call termination charge for fixed-line calls as follows: €0.003 from October 1, 2011 to July 1, 2012, €0.0015 from July 1, 2012 to January 1, 2013, and €0.0008 thereafter. Therefore, the Numericable Group's termination charges invoiced by other landline operators have decreased as from October 1, 2011. In turn, the Numericable Group's revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame.

The following table sets forth fixed-line call termination charges as determined by the ARCEP.

	2H 2012	1H 2013	2H 2013
		(€ cents)	
Orange	1.0	0.8	0.8
SFR	1.0	0.8	0.8
Bouygues Télécom	1.0	0.8	0.8
Free	1.6	1.1	0.8
Full MVNO	1.6	1.1	0.8

Wholesale Carrier Services—Data

The Numericable Group also sells circuits based on SDH and Ethernet technologies (i.e., copper or fiber) and optical fiber or DSL network (unbundling) connections to international operators or local operators with sub-scale networks in France, principally using its own network and less often reselling the use of other operators' networks. These services are generally invoiced per circuit (covering both the bandwidth and speed). The setting up of a direct connection with a client favors higher margins.

The Numericable Group's data wholesale activity has shown regular growth since 2009, and the Numericable Group expects strong growth from this business in the future due to increasing worldwide data traffic and migration from legacy SDH or DSL technologies to Ethernet and fiber technologies. The Numericable Group believes it will be able to benefit from future growth in data traffic by leveraging its extensive fiber footprint and the combination of Numericable's and Completel's interconnected networks.

Infrastructure Wholesale Services

The Numericable Group optimizes its network utilization by selling network infrastructure-based wholesale services, including renting IRUs and bandwidth capacity on its network, to other telecommunications operators. It also offers related maintenance services.

The Numericable Group markets local loop (intra-city) connections to connect client sites and data centers, in exchange for connection fees and a price per meter under an IRU (which includes high initial connection costs, but lower annual maintenance costs) or a lease agreement (which includes a lower payment at the beginning of the contractual period, but higher annual rental payments).

Following the adoption by the ARCEP of new regulations in 2009, the Numericable Group also started acting as a building operator (*opérateur d'immeuble*), deploying vertical FTTH networks within apartment buildings and making such networks available to third-party operators and access providers under long-term IRUs. The Numericable Group is able to provide this service, given its experience in deploying coaxial cables in buildings as a cable operator and its existing relationships with multiple-dwelling unit managers and housing associations. The Numericable Group's relationships with local communities are also important, as subsidies in the deployment of the network provide a commercial advantage in selling fiber optic connections to consumers as well as support in enabling the Numericable Group to deploy fiber on public property. For the year ended December 31, 2013, the Numericable Group had connected approximately 164,000 homes through vertical FTTH networks. Deployment costs are shared with the telecommunications operators seeking access to the network in accordance with regulated tariffs and, during the term of the IRU, the Numericable Group provides maintenance services and charges maintenance fees to the operators who have access to the network.

The Numericable Group also carries out wholesale activities through its 95%-owned subsidiary Sequalum (SFR Collectivités, a telecommunications infrastructure subsidiary of SFR holds the other 5%). Sequalum was established in 2008 to plan, deploy and operate an FTTH very-high-speed fiber network under a French law scheme known as *délégation de service public* or DSP in an affluent district adjacent to Paris (*Hauts-de-Seine*), which includes a major business center, La Défense. This DSP project is called DSP 92. A DSP is a form of public—private partnership under French law pursuant to which a public entity entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question. Fiber deployment started in October 2009 and the first customers were connected in 2010. Capital expenditures related to DSP 92 are included in the Numericable Group's network capital expenditures. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures—Historical Capital Expenditures.'' In July 2013 the Numericable Group was notified by the Hauts-de-Seine General Council of the approval of phase II of this project which is expected to continue until 2016. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures,'' for more information regarding the capital expenditures related to this project. Pursuant to DSP 92, Sequalum has a 25-year concession, as from January 20, 2009, to operate the relevant fiber network. The Sequalum network, when fully deployed, will cover 100% of the territory of Hauts-de-Seine, via 2,600 kilometers of fiber cables, and reach 827,900 apartments and offices. It is open to all retail telecommunications operators, for a fee per connected household. Sequalum also charges fees for various services rendered to operators, such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network, and sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of the Hauts-de-Seine district that is classified as a ''very dense area'' are regulated by the ARCEP. Other fees charged by Sequalum are not regulated. See ''*Regulation—Regulation of Electronic Communications Networks and Services—French Regulatory Framework Applicable to Electronic Communications*.'' Since 2009, Sequalum has connected approximately 500,000 homes in horizontal fiber and, since 2011, approximately 200,000 homes in vertical fiber. Revenue generated by this project has been generated to date principally from the granting of IRUs to other operators and has been minimal.

The Numericable Group also sells point to point connections. This includes backhauling radio sites for 3G and 4G deployment to other French national operators. The Numericable Group estimates that this business should increase, as higher bandwidth is needed and more antennas are built the roll-out of 4G coverage by operators. Between 2010 and 2012, the Numericable Group connected approximately 200 sites for Bouygues Télécom and between 2013 and 2014, the Numericable Group expects to connect approximately 1,000 sites for SFR.

White Label (DSL)

The Numericable Group provides white label double-play and triple-play access lines through DSL (mainly unbundling) to third party operators. The Numericable Group first began providing triple-play white label DSL services in 2006 in connection with the launch by the French retailer Darty of its own branded triple-play offering, the ''Darty Box.'' Under this contract, the Numericable Group sold its triple-play services to Darty, which resold them to its own customers under its own brand name. The Numericable Group also entered into white label contracts with the French retailer Auchan in 2008.

As with the Numericable Group's fiber white label triple-play services, DSL white label triple-play services are sold under long-term contracts and are tailored to the needs and requirements of each of the Numericable Group's customers. These contracts include television content, broadband Internet access and fixed-line telephony services for each of Darty and Auchan. The Numericable Group also provides them with certain other products and services such as set-top boxes. For a description of the main terms of the Numericable Group's DSL white label contracts, see ''*—Material Contracts—White Label Contracts*.'' The Numericable Group's DSL white label contracts provide the same benefits in terms of leveraging the usage of its network and acquiring end-users without associated acquisitions costs as the Numericable Group's fiber white label contracts (see ''*—White Label (Fiber)*'').

Bouygues Télécom acquired Darty's telecommunications business in July 2012. The Numericable Group expects that this acquisition will lead to the migration of Darty's customer base to Bouygues Télécom's network over the long-term. According to the agreement with Bouygues Télécom, a certain number of white label customers were migrated in 2012 to Bouygues Télécom's network (as such customers were only partially unbundled on the Numericable Group's network and could be fully unbundled on Bouygues' network), but the remaining clients will not be automatically migrated to Bouygues Télécom's DSL network. The Numericable Group expects, however, that Bouygues Télécom will recruit new subscribers on its own DSL network and that churn at Darty will lead to fewer and fewer white label customers on the Numericable Group's DSL network.

The Numericable Group's white label contract with Auchan terminated in March 2013 when the Numericable Group acquired Auchan's television, broadband Internet and fixed telephony service business, with customers migrating to Numericable in April 2013.

The Numericable Group provided DSL white label triple-play services to approximately 120,000 end-users as of December 31, 2013. Although the Numericable Group's DSL white label business has been a key component of its growth since 2009, the Numericable Group expects a decline in this business due to the development of fiber access by Numericable, as the Numericable Group focuses on growing its own branded customer base, and Bouygues Télécom's take-over of Darty.

The Numericable Group believes that there is a potential for development in white label DSL services among small operators. The Numericable Group also believes that development opportunities exist for the creation of a platform for third-party operators providing services to small businesses (SoHos).

Clients

Wholesale segment clients include switched voice operators and virtual operators, such as Paritel and SCT, international operators, such as Tata, Verizon, Level(3) and BT, French operators, such as Bouygues Télécom and local operators such as Outremer Télécom. The Numericable Group has entered into commercial relationships with certain clients, such as AT&T.

The Numericable Group's Network

Network Overview

The Numericable Group has an extensive network, covering both switched voice and data. Both its B2C and B2B segments benefit from the Numericable Group's extensive backbone. As of December 31, 2013, the total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers. The Numericable Group's network includes hybrid fiber and coaxial cable connections to residential homes, 80 fiber metropolitan area networks connecting corporate and public sector sites in France's dense business areas and an extensive DSL network over its switched voice lines, with 700 network subscriber access nodes. Covering about 35% of homes in metropolitan France, the Numericable Group's network is concentrated in densely populated areas and does not cover the entire French territory.

The Numericable Group's fiber/cable network is one of two core end-to-end French networks with extensive local loop infrastructure, the other being owned by Orange. As of December 31, 2013, the Numericable Group's network passed 9.9 million, or approximately 35% of, French homes, including approximately 5.2 million homes passed by its FTTB/EuroDocsis 3.0-enabled network, approximately 3.3 million homes by its EuroDocsis 2.0-enabled network and 1.4 million homes by its standard coaxial cable network (the latter without bi-directional capability and thus limited to television services). The Numericable Group expects to have increased the number of homes connected with FTTB/EuroDocsis 3.0 by 408,000 for the year ended December 31, 2013 and intends to continue to upgrade its cable network in the coming years. See ''—Recent and Planned Network Investments.'' Over 85% of the Numericable Group's overall network in terms of homes passed is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of December 31, 2013. In addition, 85% of the homes connected to the Numericable Group's network benefit from an 862 MHz frequency (i.e., are triple-play capable). The portion of the Numericable Group's network that has already been upgraded to FTTB and uses EuroDocsis 3.0 technology currently provides a download speed of up to 200 Mbps, which is the highest available in France on a large scale and allows the Numericable Group's customers to connect several devices (such as computers, televisions, tablets and smartphones) simultaneously without impairing the quality of the TV signal. The Numericable Group believes this download speed and its separate streams of TV and Internet give it an advantage over its competitors. In addition, this portion of the Numericable Group's network has the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure by the Numericable Group. The portion of the Numericable Group's network that uses EuroDocsis 2.0 technology provides a download speed of up to 30 Mbps, which, the Numericable Group believes, is higher than its DSL competitors. Both the EuroDocsis 3.0 and the EuroDocsis 2.0 television-encoding technologies enable the Numericable Group to offer its B2C segment subscribers triple-play or quadruple-play and interactive services requiring large bandwidths and benefit from an 862 MHz frequency. The Numericable Group believes that the picture quality of its television products, especially for HDTV channels, is superior to that of the IPTV technology used by its competitors on DSL lines and that this will become an increasingly important differentiator, especially for customers with wide-screen television sets.

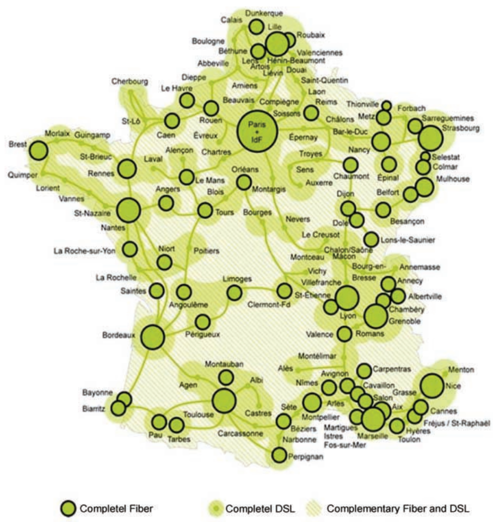
The Numericable Group's B2B segment is based on its fiber optic metropolitan area networks located in large urban areas installed in 80 dense business areas in France. Among other things, the existence of these MANs enables the connection of new B2B customers with limited capital expenditures. The Numericable Group's DSL network connects B2B customers' more remote sites. As of December 31, 2013, the Numericable Group's fiber network passed over 10,000 corporate and public sector sites, and its DSL network passed over 80,000 corporate and public sector sites.

The Numericable Group's fiber metropolitan area networks and DSL network provide complementary access technologies to address the Numericable Group's B2B customers' needs, which vary depending upon the bandwidth and security requirements of their sites. Generally, the Numericable Group connects its B2B customers' main and/or critical sites with fiber, provided that they are located within 500 meters of the Numericable Group's metropolitan area networks. Secondary sites of large B2B customers, as well as medium-sized companies subscribing to the Numericable Group's standard ''Completude'' service, are connected to the Numericable Group's DSL network, except for ''Completude Max'' customers, who are connected through fiber. Customers' secondary sites outside of the Numericable Group's DSL network's reach are connected through DSL lines or leased lines from other telecommunications operators. The Numericable Group believes that direct connections based on complementary fiber and DSL access are the best technical response to customer needs in terms of bandwidth requirements, technological and geographical complementarities and end-to-end control of service quality. The Numericable Group's national CORE IP network is one of the few ''100Giga ready'' French networks to be up and running and runs from Paris to Lyon, and its VoIP network (which the Numericable Group believes is one of the most technologically advanced networks in France) can adapt to multiple technologies, providing the agility required to respond to customers' needs.

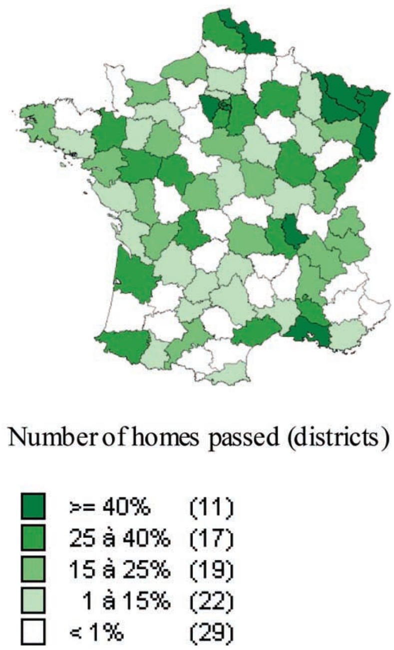
The Numericable Group owns the hybrid fiber and coaxial cable in its network as well as the equipment, head-ends, hubs and certain other parts of the access network, including the long-distance backbone. The physical infrastructures into which the cables are placed (such as ducts and poles) are either owned by the Numericable Group or by Orange; in the latter case, the Numericable Group accesses them under long-term IRUs. See ''—*Network History and Ownership*'' below. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment, without affecting the quality of service being provided.

The following diagrams illustrate the Numericable Group's combined fiber, coaxial cable and DSL network used for the Numericable Group's B2C, B2B and wholesale services, including the Numericable Group's backbone, as of December 31, 2013:

The B2B Network (backbone)



The B2C Network (local loops)



Network History and Ownership

The Numericable Group's network was built through the acquisition and combination of entities which themselves had built cable networks under various legal frameworks, in particular the 1982 Cable Plan (*Plan Câble*) and the 1986 New Deal Plan (*Plan Nouvelle Donne*). For a description of the Cable Plan and New Deal Plan, see ''*Regulation—Regulation of Electronic Communications Networks and Services—Legal Status of the Cable Networks—Network Using the Ducts of Orange*'' and ''*Regulation—Regulation of Electronic Communications Networks and Services—Legal Status of the Cable Networks—Networks Set Up Following the New Deal Plan*.'' As a result of this heritage, French cable networks were owned and operated by distinct entities with potentially conflicting interests. This split intensified regulatory complexity and caused slower cable expansion in France as compared to the rest of Europe. Market consolidation, however, began in December 2003 when a limit on the number of households that a single cable operator could connect (eight million) was removed.

The Numericable Group's fiber urban area networks were built or acquired by Completel, which completed the construction of urban area networks in nine areas of France in 2001. It then continued to construct and acquire urban area networks, such that it had 10 urban area networks by 2007 and 80 urban area networks as of December 31, 2013.

The Numericable Group's overall network, which is comprised of a combination of networks that Numericable inherited from cable operators it acquired and the networks constructed and acquired by Completel, is in practice managed since 2008 as a single network serving the needs of all of the Numericable Group's segments (B2C, B2B and wholesale). It is operated pursuant to several long-term IRUs and agreements for the right to use public land. For further information on these agreements, see ''—*Material Contracts—Infrastructure and Network Agreements*.''

Fifty-five percent of the Numericable Group's current network was built in the early 1980s under the Cable Plan by the French State and later transferred to Orange. It was initially operated by certain of the Numericable Group's predecessors, local entities financed by both private and public funding, which the Numericable Group later acquired. At the time of these acquisitions, Orange granted the Numericable Group several IRUs on its infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to the Numericable Group for terms of 20 years each and the first of these to be up for renewal is expected to be negotiated between the parties in 2019. For a description of the Numericable Group's IRU agreement with Orange, see ''*—Material Contracts—Infrastructure and Network Agreements—Agreements Relating to the Installation and Operation of the Cable Network—Orange IRUs*'' and ''*Regulation—Regulation of Electronic Communications Networks and Services—Legal Status of the Cable Networks—Network Using the Ducts of Orange*.''

Thirty-eight percent of the Numericable Group's current network was built by other predecessors under the New Deal Plan, a regulatory regime that allowed local public authorities to set up their own networks or have networks built by private companies which were then granted concessions to operate television cable networks over their territories for periods of 20 to 30 years. For a description of the Numericable Group's long-term agreements with public authorities relating to the installation and operation of the Numericable Group's fiber/cable network, *see ''—Material Contracts—Infrastructure and Network Agreements—Agreements Relating to the Installation and Operation of the Cable Network—Agreements with Public Authorities under the New Deal Plan*,'' and ''*Risk Factors—Regulatory and Legal Risks—The legal status of the Numericable Group's network is complex and, in some instances, subject to renewal or challenge.*''

Seven percent of the Numericable Group's current network is governed by ad hoc legal agreements such as long-term leases of public property (*conventions d'affermage*, i.e., a type of delegation of public services pursuant to which the Numericable Group rents an entire network) or agreements for the occupation of public domains (*conventions d'occupation du domaine public*, i.e., a type of delegation of public services pursuant to which the Numericable Group installs the necessary equipment on certain public premises). These agreements are entered into for terms ranging from ten to 30 years with local authorities, mainly municipalities. See ''*Material Contracts—Infrastructure and Network Agreements—Agreements Relating to the Installation and Operation of the Cable Network—Ad Hoc Agreements with Public Authorities*'' and ''*Regulation—Regulation of Electronic Communications Networks and Services—Legal Status of the Cable Networks—Other Networks*.''

The Numericable Group's cable network is relatively recent compared to the copper wires of its competitors' DSL networks, and the Numericable Group benefits from a first-mover advantage with respect to fiber in the French territory.

Technical Characteristics

The backbone (which refers to the principal voice and data routes between large, strategically interconnected networks and core routers) is used by the Numericable Group to transport all digital signals to its subscribers throughout France. December 31, 2013, the total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers. The data backbone is currently running ''All-IP'' and carries all of the Numericable Group's communications traffic by using dedicated specific bandwidths for each of the Numericable Group's digital television, high-speed broadband Internet, B2B data and B2C fixed-line telephony services. The voice backbone carries the Numericable Group's switched voice communications traffic. The Numericable Group considers this backbone to have full capacity to meet its subscribers' needs.

The part of the Numericable Group's network that uses standard coaxial cable to provide analog and digital television to approximately 1.4 million homes is not connected to the Numericable Group's backbone.

Routers put in place before 2007 (i.e., before EuroDocsis 3.0) allow for download speeds of up to 100Mbps, and routers with EuroDocsis 3.0 allow for download speeds of up to 400 Mbps.

The distribution of the Numericable Group's services within dense metropolitan areas is supported by local loops which are connected to the backbone and can address increased capacity needs. The Numericable Group owns the local loops connected to its network.

B2C segment subscribers connect to the network through a coaxial cable connection from one of the Numericable Group's nodes. On average, approximately 1,000 homes (for the portion of the network equipped with EuroDocsis 2.0) and 200 homes (for the portion of the network equipped with EuroDocsis 3.0) are served by one of the approximately 40,000 optical nodes in the Numericable Group's network. In the portion of the Numericable Group's network equipped with EuroDocsis 3.0, approximately 43% of homes are located within approximately 100 meters from the fiber connection on average (with less than 100 homes per node on average), approximately 16% of homes are located within approximately 200 meters from the fiber connection on average (with between 100 and 500 homes per node on average) and approximately 41% of homes are located within approximately 300 meters from the fiber connection on average (with more than 500 homes per node on average).

Network quality can deteriorate as customer penetration rates on any particular node increase above a certain threshold. When required, the scalability of the Numericable Group's network enables it to address this problem, within limits, through node ''splits'' in which the Numericable Group installs additional equipment at the node so that the same capacity serves approximately half of the initial homes. The Numericable Group uses amplifiers on a portion of the Numericable Group's coaxial lines to strengthen both downstream and return path signals on the local loop, but not on the EuroDocsis 3.0-enabled portion of network to which subscribers are connected by an FTTB connection. The FTTB technology allows for fiber deployment to generally reach the boundary of the Numericable Group's subscribers' building, such as the basement in a multi-dwelling unit, with the final connection to the individual living space being made via an alternative, non-optical means, typically a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows the Numericable Group to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. However, as the number of subscribers in a building increases, FTTH technology can become necessary to ensure the same speeds.

The Numericable Group monitors the performance levels of its networks on a continuous basis. The backbone network has been designed to include redundant features to minimize the risk of network outages and disasters and reroute traffic in the opposite direction around the backbone in the event that a section of the backbone is cut. Even though the Numericable Group has insured its buildings, head-end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, they are not insured against war, terrorism (except to a limited extent under the Numericable Group's general property insurance) and cyber-risks. The Numericable Group carries insurance on its fiber optic network and property damage insurance for its coaxial network up to a capped amount and subject to exclusions.

Recent and Planned Network Investments

The Numericable Group expects to continue to selectively deploy fiber on a continual basis, where a densification of its fiber network is necessary to improve service to customers. The Numericable Group generally upgrades the network to EuroDocsis 3.0 when the network is upgraded to FTTB at the latest. It continuously upgrades and renovates B2B connections in order to remain in line with customer expectations and requirements.

The Numericable Group has increased the number of homes connected with FTTB/EuroDocsis 3.0 over the past several years. The Numericable Group upgraded 114,000 homes in the year ended December 31, 2011, and 503,000 homes in the year ended December 31, 2012, 408,000 homes in the year ended December 31, 2013. The Numericable Group expects to have increased the number of homes connected with FTTB/EuroDocsis 3.0 by 700,000 to 800,000 by the end of 2014.

For B2B customers, one of the advantages of the Numericable Group's network is that it is scalable, with both fiber and DSL providing a key technological edge. The Numericable Group is able to use its fiber network to establish a direct connection to customer sites that have very high capacity requirements, with an average capacity of greater than 125 Mbps and a growing number of gigabit sites, and DSL to secondary customer sites, with lower capacity requirements.

Technology and Infrastructure

Conditional Access System

Access to television channels offered through the Numericable Group's pay programming packages is secured with a conditional access system that the Numericable Group obtains from Nagra France, a subsidiary of the Kudelski group. The conditional access system enables the Numericable Group to provide pay-TV services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to subscribers and subscribers decrypt the signals using a set-top box and an access card. See ''—*Dependency*'' for a description of the contract with Nagra France. Upon signing a contract for the Numericable Group's services, subscribers receive a set-top box together with an access card, which allows them to receive the pay programming offered. Each card is electronically matched with a particular decoder. The Numericable Group routinely checks for and identifies unauthorized access to its service because of the significant risks unauthorized access poses to its business and revenue. See ''*Risk Factors—Risks Relating to the Numericable Group's Industry and Markets—The Numericable Group's reputation and business could be materially harmed as a result of, and the Numericable Group could be held liable for, data loss, data theft, unauthorized access or successful hacking*.''

Pursuant to the Numericable Group's agreements with the Kudelski group, the Numericable Group is granted software licenses and software solutions systems necessary for the delivery of certain of its services, including the distribution of digital television, security systems, interactive applications, VOD platforms and digital television listings. In the event of a breach of the Numericable Group's systems that cannot be cured, Nagra France, under the contract with the Kudelski group, is obligated, under certain conditions, to replace the conditional access system together with the cards provided to the Numericable Group's subscribers and, if necessary, to adapt the set-top boxes to the new system.

Set-Top Boxes and Broadband Routers

To receive digital television services, the Numericable Group's subscribers decode the digital signals using the Numericable Group's HD interactive set-top boxes together with a smart card to decrypt the signals. Since 2009, the Numericable Group has purchased most of its set-top boxes from Sagemcom pursuant to supply contracts. In October 2011, the Numericable Group entered into a supply agreement with Sagemcom for the Numericable Group's new set-top box, LaBox. The initial term of this contract is until April 2014; it is automatically renewable for 5 year terms, subject to prior notice of termination. It contains commitments from Sagemcom to deliver ordered set-top boxes within a set schedule and a non-exclusive commitment from the Numericable Group to order minimum quantities of set-top boxes over the term of the contract. Since August 2011, Sagemcom is owned by one of the Numericable Group's principal shareholders, Carlyle. See ''*Related Party Transactions*.''

The Numericable Group believes that using a single supplier is more efficient due to the complexity of these devices. However, the Numericable Group believes that it could source set-top boxes from alternative suppliers without incurring significant disruptions or increased costs. Although the Numericable Group's set-top boxes' hardware is designed by manufacturers, the Numericable Group has been strongly involved in their software design, especially with respect to the interface that appears on its customers' screen when they use the set-top boxes. With LaBox, the portal, user interface and back-end system utilizes HTML5-based software created and owned by the Numericable Group. The Numericable Group believes it is the first operator to use of HTML5-based software in a set-top box which enabled it to finalize a top-of-the-line product more quickly than would have been possible with the technologies customarily used.

To access the Numericable Group's broadband Internet and fixed-line telephony services, the Numericable Group's subscribers must have a high-speed broadband router. The Numericable Group's current broadband Internet services portfolio consists of services with download speeds of up to 200 Mbps. Since 2007 and until recently, the broadband routers the Numericable Group provided to its subscribers were all pre-EuroDocsis 3.0 (or ''wide band Docsis'') broadband routers that could provide download speeds of up to 200 Mbps. The Numericable Group now supplies EuroDocsis 3.0 broadband routers that have the capacity to support download speeds of up to 400 Mbps, although it only provides B2C customers with speeds of up to 200 Mbps. The Numericable Group generally purchases its broadband routers from Netgear and Castlenet, after verifying their compatibility with its own systems and adding any necessary customization.

As of December 31, 2013, approximately 41% of gateways deployed by the Numericable Group used EuroDocsis 3.0 (deployed since 2010), 46% used EuroDocsis 2.0B (deployed between 2007 and 2010) and 13% used EuroDocsis 2.0 (deployed before 2007).

Information Technology Systems

The Numericable Group's IT systems have been developed for the most part by its in-house IT department. The Numericable Group develops in-house solutions because it is important to maintain a high level of flexibility and the ability to adjust to changing market conditions. The Numericable Group's key IT systems are: (i) the sales services system, which mainly enables the Numericable Group to register and control the commercial operation of the direct and indirect sales networks for both the B2C and B2B segments; (ii) the CRM system, which enables the Numericable Group to provide comprehensive customer service with regard to complaints, subscriber profiling and the handling of special offers and collection processes; (iii) the reporting system, which enables the rapid preparation of reports on key indicators of the business, the automatic distribution of the reports to designated recipients and the preparation of reports and analyses by business divisions; and (iv) the subscriber management system, which facilitates new client authorizations, handles monthly subscription payments, verifies late payments, notifies delinquent accounts through on-screen ''pop-up'' messages, SMS, automated telephone messages and e-mail, provides for changes of packages, enables the Numericable Group to de-register clients upon the expiration of their agreements and automatically enables the Numericable Group to disconnect its services.

Data Centers

To serve the B2B segment, the Numericable Group maintains three data centers, one in each of Paris, Rouen and Lyon. The data centers are composed of one or several buildings equipped with 24-hour surveillance and security and consist of several rooms with cabinets full of servers that are maintained in ideal temperatures and supplied with constant power. The servers store data and applications to be used by B2B customers, which have a secure connection to servers in the data center.

Seasonality

Revenues from the Numericable Group's pay-TV for basic analog and premium cable television service and high-speed broadband Internet service are substantially based on a fixed monthly rate and therefore are not subject to seasonal variations. The B2C segment's growth in the number of new adds is typically highest from September to January, reflecting a greater tendency among households to equip themselves during the back-to-school period and at the end of the year. B2B segment new adds are typically higher in June and December, reflecting the timing of corporate and public sector budgets, while B2B voice service revenues tend to follow the vacation schedule, with a slight decrease during summer and winter vacations, as well as the May holidays, though this decrease is not significant.

Suppliers

The Numericable Group has relationships with several suppliers that provide it with hardware, software and services necessary to operate the Numericable Group's network.

The B2C segment's main hardware and software suppliers are Sagemcom, Castlenet and Netgear, which manufacture set-top boxes and broadband routers on the Numericable Group's behalf and for which it owns the IP rights; Cisco, which provides cable router termination systems (i.e., equipment typically located in the head-end or hubsite that the Numericable Group uses to provide high-speed data services); Pro-Cable, which as the Numericable Group's enterprise resource planning provider supplies it with billing and related software and hardware; and Nagra France, which provides the Numericable Group's conditional access system.

The B2B segment's main hardware and software suppliers 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, which provides fiber and data network components; and Arbor, which provides billing software.

The Numericable 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 Numericable Group's customers, but most still require a professional installer. The Numericable Group's agreements require that the subcontractors maintain certain quality levels and use trained personnel, and the Numericable Group monitors the efficiency and quality of service provided by the subcontractor on a regular basis.

Dependency

As described in the above section, the Numericable Group uses several suppliers for its business. With the exception of Nagra France, which provides the Numericable Group's conditional access system, the Numericable Group believes that it is not dependent on any one supplier and that the loss of any supplier would not have a material adverse effect on the Numericable Group's business, and that the Numericable Group could replace its key suppliers without materially disrupting the Numericable Group's business. See ''*Risk Factors—Risks Relating to the Numericable Group's Business and Operations*.'' The Numericable Group's contract with Nagra France, which was entered into in October 1999 and expired in 2007. Upon expiration, the contract 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, i.e., until December 31, 2017.

Competitors

Main Competitors

Orange

Orange is the historical telecommunications operator in France and one of the largest telecommunications operators in the world. In France, it offers a full-range of services on the B2C, B2B and wholesale segments and has significant market shares on all of these segments. It provides services nationally using its own copper local loop, backbone and infrastructure and extensive 2G and 3G mobile network. It is currently investing in FTTH and 4G. As of December 31, 2013, the principal shareholder of Orange was the French state, which held approximately 27% of its share capital.

SFR

Please see ''*Business of SFR*''.

Iliad (Free)

Iliad (operating under the brand name ''Free'') is a telecommunications operator that has been active in France since the late 1990s. It is known for its aggressive commercial offers that have resulted in significant disruptions to and high levels of competition in the French market. For example, in 2002, it introduced a €29.99 per month DSL offering, to which fixed telephony and television services were added in 2003. Competitors eventually followed, with the result being a market standard for triple-play offerings of €30 until 2011.

Free was granted the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 with a €19.99 per month SIM-only mobile offer, reduced to €15.99 for its DSL subscribers, including unlimited voice, text and multimedia messages as well as 3 GB of mobile data, without a subsidized telephone or tie-in period. This offer transformed the market. Free had 6.8 million mobile subscribers as of December 31, 2013 and had a market share of approximately 10.3% of the mobile market (Source: Iliad September 2013 press release). Free's entry has had a profound and ongoing effect as competition has intensified and prices have reduced: average mobile ARPU per month in the French mobile market decreased by approximately 26%, from €32.2 as of December 31, 2011 to €23.9 as of December 31, 2013 to (Source: World Cellular Information Service).

Free operates exclusively in the B2C segment. Its DSL offering is based mainly on unbundling, and provides speeds of up to 28 Mbps. In 2006, Free announced long-term plans to invest in FTTH, focused initially on densely populated areas covering 4 million homes, without providing any specific schedule. It has also announced plans to invest outside of dense zones through an agreement signed with Orange in August 2012. Customers within the area where Free has deployed FTTH (i.e., Paris) may receive Free's FTTH offer, which provides download speeds of up to 100 Mbps and upload speeds of up to 50 Mbps, and certain customers may receive download speeds of up to 1Gbps and upload speeds of up to 200 Mbps.

In the mobile telephony market, Free has undertaken to deploy a 3G network that covers at least 75% of the French population by 2015 and 90% by 2018 and a 4G network that covers at least 25% of the French population by 2015, 60% by 2018 and 75% by 2023.

Bouygues Télécom

Bouygues Télécom is owned by the conglomerate Bouygues SA. It has been active in mobile telephony services since 1996 and fixed-line telephony services since 2008.

Its DSL offering is based on both unbundling and white label agreements with the Numericable Group. Bouygues has stated that its partnership with the Numericable Group gives it very-high-speed coverage of 7 million homes, and 289,000 very-high-speed customers as of December 31, 2012. It has also signed agreements with Orange and SFR, which would enable it to extend its high speed coverage and reach a total of 13 million homes (Source:Bouygues 2012 Annual Report).

Bouygues Télécom is also active in the B2B segment. It has particularly competitive mobile offers for professional customers, and also works in partnerships with corporations to develop innovative telecommunications solutions offers tailored solutions to B2B customers, including a cloud partnership with Microsoft. In the B2B market, Bouygues Télécom remains a small actor, and appears to mostly be targeting smaller companies with convergent fixed and mobile offers and a range of services.

B2C Market

The television, broadband Internet and fixed and mobile telephony industries are competitive, and the Numericable Group faces significant competition from established and new competitors in France. See "*Risk Factors—Risks Relating to the Numericable Group's Industry and Markets—The Numericable Group operates in a competitive industry, and competitive pressures could have a material adverse effect on its business*." The Numericable Group's main competitors include Orange, SFR, Free, Bouygues Télécom and Canal+ Group. The nature and level of the competition the Numericable Group faces vary for each of the products and services it offers.

Broadband Internet. DSL is the leading broadband Internet access platform in France, with 22.9 million subscriptions as of December 31, 2013, representing approximately 92% of the total high speed and very high speed broadband Internet market. The Numericable Group's main competitors are the DSL broadband Internet providers, Orange, Free, SFR and Bouygues Télécom, with market shares of 43%, 25%, 23% and 9%, respectively, of the French triple-play market, with the Numericable Group having a 7% market share. The Numericable Group also competes with these same operators in the 3G mobile Internet services market.

Very-High-Speed Broadband. ARCEP defines access to very-high-speed broadband Internet as broadband which allows for speeds above or equal to 30 Mbps. Only 6% of French households had access to very-high-speed broadband in 2012 (Source: European Commission, February 2013). The Numericable Group is by far the current market leader of the nascent very-high-speed broadband market in France, with a market share of 51% (68% including white label customers) as of December 31, 2013 (Source: ARCEP). To increase and harmonize network speed, Orange has begun investing in the build-out of an FTTH network. Free and SFR have also begun deploying FTTH networks. As of December 31, 2013, approximately 540,000 subscribers were connected to FTTH networks (Source: ARCEP).

Television. The Numericable Group provides television services to viewers though the Numericable Group's cable network and is the sole major cable operator in France with approximately 99% of the market share for cable television. In the pay-TV market, the Numericable Group competes with distributors offering premium channel packages, such as CanalSat. DSL triple and quadruple-play operators, such as Orange, Free, SFR and Bouygues Télécom, which provide IPTV services and distributors of pay DTT, such as Canal+. The Numericable Group estimates its market share of the pay-TV market at approximately 13.2%. The growth of IPTV has transformed the market, offering the possibility of providing pay-TV services beyond the traditional means of cable and satellite (which is limited due to the restriction on installing satellite dishes on building façades in certain areas such as the center of Paris). In 2012, IPTV was the leading distribution platform for pay-TV (accounting for 47.4% of all pay-TV subscriptions) ahead of satellite television (32.2%), cable television (13.2%) and DTT (6.8%) (Source: ScreenDigest).

The Numericable Group also competes with providers of satellite television, which are capable of offering a larger selection of channels to a larger audience, covering larger geographic areas (especially in rural areas) for a lower price than what the Numericable Group charges for its cable television services. Any increase in the market share of the satellite distribution sector could have a negative impact on the success of digital cable television services. The Numericable Group also faces competition from the distribution of free satellite television that viewers may receive simply with a dish and a decoder.

While pay DTT (currently only Canal+ Group) currently represents a small portion of the pay-TV market share, pay DTT distributors could in the future offer a larger selection of channels to a wider audience for a lower price than what the Numericable Group charges for its cable television services.

The Numericable Group also faces competitors that use multiple technologies. For example, the Canal+ Group distributes its services through IP technologies of triple and quadruple-play DSL operators as well as through satellite. It also distributes Canal+ through the Numericable Group's cable network. The Canal+ Group's products are thus available in all French households while the Numericable Group reaches only 35% of French households.

In addition, the amount and the quality of channels offered in non-premium channel packages has significantly increased in recent years. If customers do not perceive the Numericable Group's premium channel packages as offering a better value for their money than the non-premium channel packages (whether they are offered by the Numericable Group or by its competitors), the Numericable Group's customers could opt for the Numericable Group's basic channel packages or those of its competitors.

Finally, the supply of audiovisual content ''over-the-top'' (OTT) on an existing broadband network, (through distributors such as Amazon and Apple) bypasses the traditional methods mentioned above (including those of the Numericable Group) and makes up an increasingly larger source of competition.

Fixed-Line Telephony. The Numericable Group faces significant competition from existing fixed-line telephony providers. Orange, the incumbent fixed-line telephony service provider in France, is the largest provider of fixed-line telephony services in the French market, with 33.8 million traditional fixed telephony lines as of December 31, 2013, as compared to the Numericable Group's 1,024,000 lines.

Mobile Telephony. The Numericable Group's main competitors in the French mobile telecommunications market are Orange, SFR, Bouygues Télécom and Free, as well as MVNO operators. Free entered the market in early 2012 with an innovative and aggressive commercial offer that includes unlimited text messages, multimedia messages and calls, a fair-usage policy of 3 GB of mobile data and free calls to 40 countries in Europe and North America, for €19.99 per month (€15.99 per month for triple-play subscribers), which was significantly lower than those offered by the pre-existing operators (Orange, Bouygues Télécom and SFR). Free captured approximately 12.0% of the French mobile telephony market, representing over 8.0 million subscribers as of December 31, 2013. In response to Free's entry into the mobile telephony market, the Numericable Group introduced a new mobile telephony offer for €19.99 per month to new and existing customers at the end of January 2012, which also includes unlimited fixed calls in France and 40 international destinations in Europe and North America, unlimited text messages and up to 3 GB of mobile Internet. Orange, Bouygues Télécom and SFR also reacted to Free's entry in the mobile telephony market with the launch of ''low-cost'' mobile offers under the brand names Sosh, B&You, and Red, respectively. The mobile telephony market is currently in the midst of a price war, as average prices continue to fall. The Numericable Group is the only provider offering ''unlimited'' mobile packages for less than €20 per month through physical stores.

Triple- and Quadruple-Play. The French multimedia and telecommunications markets in the B2C segment have converged as customers seek to receive their media and communications services from a single provider at an attractive price. In response, bundled service packages have become the standard in the B2C market and as a result the Numericable Group (as well as its competitors) attracts the majority of its new customers with these packages. In the triple- and quadruple-play services market, the Numericable Group currently competes with Orange, Free, Bouygues (which uses the Numericable Group's network) and SFR. In the quadruple-play services market, the Numericable Group competes with Orange, SFR and Bouygues Télécom. The Numericable Group's competitors continue to improve their bundled packages. If the Numericable Group's bundled packages prove to be less competitive, the Numericable Group may be forced to lower prices or increase capital expenditures to improve the quality of its services in order to benefit from the growth in the demand for bundled services and retain subscribers.

B2B Market

The Numericable Group faces significant competition from established and new competitors in the B2B market. See ''*Risk Factors—Risks Relating to the Numericable Group's Industry and Markets—The Numericable Group operates in a competitive industry, and competition could have a material adverse effect on its business*.'' The Numericable Group's main competitors in the segment are Orange (Orange Business Services), SFR (SFR Business Team) and Colt.

Orange Business Services held approximately 70% of the market share as of December 31, 2012. Orange has had a dominant market share, (as compared to the B2C market) for many years due to its long-established competitive advantages and in particular its dense commercial distribution network.

SFR benefits from well-known products, a strong DSL network, commercial proximity and good mobile offerings with respect to SMEs, and the Numericable Group believes that its market share remained stable between 2007 and 2012. SFR's main strength is its business mobile offering. Colt is also a well-known regional player in the French market and offers IT services and data services to companies based in Paris and Lyon, and the Numericable Group estimates that Colt's market share increased by approximately 1% between 2007 and 2012. Orange Business Services, SFR and Colt represent the Numericable Group's main competitors amidst medium and large corporates. This market is very focused on price and on international coverage.

In the SME market, which is an area of strategic focus for the Numericable Group, the Numericable Group's B2B segment mainly competes with Orange Business Services and SFR Business Team, and, to a lesser extent, Bouygues Télécom Entreprises and Colt. In addition, the Numericable Group also competes with a large number of small and regional actors which use the networks of other operators or Orange to offer services at aggressive prices. However, in general, the SME market is less uniquely price-focused and more service-focused than the large B2B market. The Numericable Group estimates that it has a 9% market share with large corporates and a 2% market share with SMEs. The Numericable Group is not currently active in the SoHo market, in which Orange Business Services, SFR Business Team and other operators are active.

Large B2B corporate clients tend towards unbundled services (by seeking packages that meet their specific needs in terms of network, speed and fixed and mobile telephony) and are particularly price sensitive. B2B customers' data needs are becoming more and more complex. They require highly reliable services which must be restored very quickly in case of failure. Companies also have the tendency to focus on ''infrastructure as a service'' and integrated solutions for their data availability, storage and security needs.

The B2B market for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (one year) contracts. The ability to compete effectively is partially a function of network capillarity, and certain of the Numericable Group's competitors have a more extensive and denser network than the Numericable Group. The Numericable Group also does not have an MVNO agreement in the B2B segment that would enable it to provide mobile telephony services to B2B customers, which may be a competitive disadvantage. In addition to the competitors discussed above, the Numericable Group also competes in Centrex VoIP with smaller players, such as Keyyo and Sewan.

In the B2B market for data services, network power, including the capacity to transport high amounts of data, and access to the latest technologies are very important to customers. The Numericable Group's competitors may invest more heavily in network power and technological advancements and therefore compete more effectively for B2B customers than the Numericable Group. In the data market, customers also often seek combined infrastructure and software solutions. As a result, the Numericable Group also competes with software and other IT providers of data and network solutions, which may decrease the value customers place on the Numericable Group's infrastructure solutions, leading to a reduction in Group prices and margins. IT providers may also partner with the Numericable Group's infrastructure telecommunications competitors. In addition, the Numericable Group also competes with smaller players such as ADISTA, Neo Telecom, Nerim and Acropolis, which specialize in value-added Internet and cloud services. The Numericable Group believes that it has a competitive edge over these operators thanks to its direct fiber connection to the Numericable Group's customers' main sites, providing symmetrical high speeds and reliable service. It also benefits from its fully digital, mainly IP-based extensive network coverage, the quality of its services, the Numericable Group's centralized, cost-efficient client organization and the Numericable Group's regional presence.

The Numericable Group's direct competitors for fiber optic connections are Orange, Colt, Verizon and SFR. Most of them, like the Numericable Group, have concentrated their efforts on a limited number of dense areas, such as the La Défense business district in Paris. Colt is active in Paris and Lyon; Verizon is principally active in Paris but also in Lyon and Strasbourg. Large international players do not have a network with sufficient capillarity in France to be able to compete effectively, and the cost of building one would likely be too high with respect to the level of business such players could expect to generate in France.

Wholesale Market

In France, the wholesale telecommunications market is dominated by Orange and SFR, although their market shares vary depending on the segment. SFR has a strong position in the voice wholesale segment. In the fiber wholesale segment, Orange is the clear leader with a market share of approximately 70% as of December 31, 2013 (Source: Completel estimate). The Numericable Group estimates that it has a market share of approximately 10–20% across the three sectors.

Material Contracts

Set forth below is a summary of certain material agreements to which the Numericable Group is a party.

Interconnection Agreements

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network operator transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication, which is based on a call set-up charge and on the length of the telephone call. Interconnection rates and fees are regulated by the ARCEP (see ''*Regulation—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications—Authority of the ARCEP*'').

Pursuant to Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities, Orange is required to provide interconnection services to other telecommunication services providers. The Numericable Group has entered into an interconnection agreement with an indefinite term with Orange. The agreement may be terminated by the Numericable Group upon three months' written notice. The Numericable Group has also entered into interconnection agreements with SFR, Free and Bouygues Télécom, respectively.

Unbundling Agreements

Unbundling is the means by which one operator provides copper pairs to another operator, which then install its own transmission equipment to these pairs, allowing the operator to manage its end to end network that connects to its customers.

On June 21, 2005, the Numericable Group, through its subsidiary Completel, entered into an ''Access To The Local Loop Agreement'' with Orange who currently is the sole provider of these copper pairs. This agreement is for an indefinite period.

Content Agreements

The Numericable Group is party to several contracts with content providers, including TF1, the M6 Group and Canal+, for the distribution of digital television channels. These contracts are typically entered into for terms of three years and subsequently renewed.

On September 26, 2013, the Numericable Group entered into an agreement with Canal+ Group. Pursuant to this agreement, Multithématiques, an affiliate of Canal+ France, licenced to the Numericable Group distribution and marketing rights, on a non-exclusive basis, relating to certain television channels named CINE+, in SD and/or HD, and catch-up television version, if such version is available. The agreement expires in July 2017, and does not provide for automatic renewal. The early termination option may be exercised upon two months' prior notice (i) by the Numericable Group in case of refusal by the Numericable Group of the financial terms corresponding to the years 2014 to 2017 and (ii) by

Multithématiques in the case where Canal+ obtains the lifting of the injunction pronounced by the French Competition Authority (*Autorité de la concurrence*) (decision no. 12-DCC-100) requiring Canal+ Group to make available to all distributors who so request, on a non-exclusive basis, all of the movie channels that Canal+ Group operates or may operate (with the exception of the channels Canal+, Canal+ Sport, Canal+ Cinéma, Canal+ Décalé and Canal+ Family), and to maintain the quality of the unbundled channels.

On November 12, 2013, the Numericable Group entered into an agreement with Canal + Group. This agreement took effect retrospectively from January 1, 2012 for a period of two years until December 31, 2014, without an automatic renewal provision. Under this agreement, the Numericable Group is committed to distribute on its network the services of Canal + and Canal + TV services, as well as the following channels: Canal + The Channel, Canal + weekend and Foot + Rugby + and options.

Different compensation models apply, in particular revenue-sharing models. Remuneration may be based on a fixed fee or upon numbers of subscribers, with the market trend (and the trend for the Numericable Group) being toward the latter.

The Numericable Group licenses its television programming content from third-party content providers. It enters into agreements directly with authors' rights societies in France (including ANGOA and SACEM), broadcasters and distributors. In general, the Numericable Group pays license fees based on subscriber numbers to these content providers and its agreements with certain providers require the Numericable Group to pay minimum guarantees. The Numericable Group also pays royalties based on its subscribers' usage of on-demand content. See ''*—Research and Development, Patents and Licenses—Licenses, Usage Rights and Other Intangible Assets—Third-Party Copyrights*.''

Infrastructure and Network Agreements

Agreements Relating to the Installation and Operation of the Cable Network

The Numericable Group's overall cable network, which is comprised of a combination of networks it inherited from different French cable operators it acquired, is operated as a single network pursuant to long-term agreements with Orange and certain public authorities for the use of Orange's ducts and the occupation of public domains, respectively.

Orange IRUs

The Numericable Group entered into nonexclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition of certain companies that operated cable networks built by Orange. For further information on the construction of such networks, see ''*Regulation—Regulation of Electronic Communications Networks and Services—Legal Status of the Cable Networks*.'' These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Numericable Group by Orange through these nonexclusive IRUs. These IRUs each cover a geographical area and were entered into for a 20-year term. The IRUs are neither subject to early termination nor provide for automatic or tacit renewal. Under the IRUs, the Numericable Group is granted access to some of Orange's civil engineering installations to maintain and upgrade its network, provided it complies with certain predefined operating procedures, but is not permitted to extend its network by using such existing civil engineering installations. Furthermore, Orange remains in charge of the maintenance of its civil engineering installations.

In 2008, the ARCEP ruled that Orange had to offer access to its ducts to other telecommunications operators to allow them to roll out their own fiber networks. The terms on which Orange makes its ducts available to other operators are less favorable than the terms the Numericable Group benefits from under the IRUs. On November 4, 2010 the ARCEP ruled that the operational procedures of the Numericable Group's IRUs should be modified and aligned with the operational procedures granted by Orange to other operators. The Numericable Group's IRUs with Orange were accordingly amended in December 2011.

Agreements with Public Authorities under the New Deal Plan

In 1986, the government launched the New Deal Plan (Plan Nouvelle Donne) (law 86-1067 of September 30, 1986 relating to freedom of communication). Under this new regulatory framework, local authorities could themselves set up networks or authorize private companies to set up these networks. Several private companies (which the Numericable Group later acquired) set up new networks and were granted occupancy rights and operating concessions to operate these networks for 20 to 30 years. The networks belonging to the New Deal Plan represent 38% of the Numericable Group's overall network.

There is no form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long-term agreements entered into with local authorities. The Numericable Group entered into approximately 500 agreements in connection with New Deal Plan networks.

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, ''2002 Telecoms Package'' (the ''Paquet Télécoms 2002''), into French law, imposed an obligation to conform agreements through terminating exclusive rights over the installation and/or operation of networks.

In order to clarify the conditions for conforming the agreements currently in place with public authorities (primarily local authorities) in accordance with this obligation, in May 2010, the Numericable Group made a proposal to the ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to the Numericable Group through a transfer process.

This approach led to the conforming of transactional agreements (i) containing the aforementioned provisions and (ii) including a right to the use of public land (*convention d'occupation du domaine public*), comprising a nonexclusive right for the Numericable Group to use the ducts which had become the property of the local authorities on the terms of such new agreement, with the Numericable Group's own telecommunications equipment. One of the key features of these agreements is the Numericable Group's right to use the ducts on a nonexclusive basis and its competitors' ability to install their own equipment on such ducts.

The Numericable Group has signed nearly 80 agreements, 25 of which follow the approach acknowledged by the ARCEP, with various local authorities and is currently negotiating the implementation of its proposal with certain local authorities. The Numericable Group is currently negotiating the implementation of its proposal with certain local authorities.

See ''*Risk Factors—Regulatory and Legal Risks—The legal status of the Numericable Group's network is complex and, in some instances, subject to renewal or challenge*'' for a description of the risks associated with the New Deal Plan, as well as ''*Regulation—Regulation of Electronic Communications Networks and Services—Legal Status of the Cable Networks—Networks Set Up Following the New Deal Plan*'' for a description of applicable regulations.

Ad hoc Agreements with Public Authorities

A limited portion of the Numericable Group's current network (7%) is governed by legal agreements such as long-term leases of public property, conventions d'affermage (i.e., a type of operating concession through which the Numericable Group leases an entire network) or public land use agreements (*conventions d'occupation du domaine public*), through which the Numericable Group installs the necessary network equipment on certain public property with no underlying property transfer.

These agreements are entered into with local authorities, primarily municipalities, for terms ranging from ten to thirty years. In accordance with the terms of Articles L. 2122-2 and L. 2122-3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon termination of such agreements, the Numericable Group must, in accordance with its contractual requirements, (i) return the entire network to the local authorities, in some cases against the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, at the cost of either the Numericable Group or the local authorities, the equipment installed by the Numericable Group on the local authorities' premises, (iii) transfer the network to another operators, with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of the Numericable Group's own network on public land.

Other Infrastructure and Network Agreements

The Numericable Group has entered into several agreements in connection with the maintenance, extension and upgrade of its network, including maintenance agreements, fiber lease agreements and use of dark fiber link agreements. Most of the maintenance agreements are with various French network construction and marketing companies in the context of delegation of public services (*délégation de service public*) agreements with public authorities, have a term of one to three years and are renewed either annually or for an indefinite term. Completel has entered into an IRU agreement with SFR expiring in 2021. The fiber lease and dark fiber link agreements have been set up mainly with other network owners in France, including Orange and SFR, and have a duration of three years or more. Some such contracts must be renewed within the next few years. In addition, the Numericable Group has entered into agreements with various suppliers for the delivery of hardware and software in order to upgrade and modify its cable network continuously.

Finally, the Numericable Group rents several buildings, with remaining contractual terms of between 11 months and 9 years, including the Numericable Group's headquarters in Paris-La Défense. For a description of the Numericable Group's properties, see ''—*Property, Plant and Equipment*.''

DSP 92 Agreements

The Numericable Group is active in providing major infrastructure through its subsidiary 95% Sequalum (SFR Communities, a subsidiary of telecommunications infrastructure SFR holding 5% of the capital and voting rights) established in 2008. Sequalum maintains the design, financing, marketing, deployment, and technical and commercial operations of fiber optic high speed broadband FTTH under a public service delegation agreement (or DSP) with a government department based in Hauts-de-Seine.

White Label Contracts

The Numericable Group is party to long-term contracts with the French appliance retail company Darty (white label DSL and fiber contract) and the French telecommunications operator Bouygues Télécom (white label fiber contract), pursuant to which it sells certain of its television, broadband Internet and/or telephony services to each of these counterparties, which then resell them as double- or triple-play packages over the Numericable Group's network under their own brand and to their own subscribers. The Numericable Group provides telephony services to Darty, who does not own a fixed network, but not to Bouygues Télécom. The Numericable Group continues to explore opportunities to enter into additional white label agreements.

Under these white label contracts, the Numericable Group is committed to certain standards of quality and efficiency, and penalties may be charged by its white label customers if these commitments are not met. Each of the Numericable Group's white label customers pays the Numericable Group monthly fees based on the number of end-users to whom they sell the Numericable Group's bundled packages and, in the case of certain voice services contracts, based on a usage. Additional fees are payable by the Numericable Group's customers that require additional services, such as customer care and billing. The fees charged include (i) a fee per subscriber, which depends on the type of package subscribed, (ii) the telephony charges and (iii) VOD charges. By way of exception, digital television services provided to Darty customers are invoiced by Darty on behalf of the Numericable Group, and paid directly by Darty to the Numericable Group.

The Numericable Group's first white label contract was entered in February 2006 with Darty. Pursuant to this contract, the Numericable Group provided Darty with white label services. The Numericable Group entered into two subsequent white label contracts with Darty: (i) in October 2008, for the provision of very high-speed broadband Internet services, and (ii) in November 2009, for the distribution of television services.

In addition, the Numericable Group entered into a white label fiber contract with Bouygues Télécom in May 2009 for very high-speed broadband Internet services.

The contracts entered into with Darty and Bouygues Télécom are due to expire in 2021 and 2019, respectively. Upon reaching the initial expiration date, the terms of each of the Darty contracts provide for automatic renewal for successive periods of five years, unless otherwise notified by either party upon 12 months' prior notice. The Bouygues Télécom contract provides that upon reaching the initial expiration date, the contract will be automatically renewed for an indefinite period, unless otherwise notified by (i) Bouygues Télécom upon 24 months' prior notice or (ii) the Numericable Group upon 12 months' prior notice.

In May 2012, Bouygues Telecom acquired Darty Telecom, which became a wholly-owned subsidiary of Bouygues Telecom. Accordingly, the existing Darty and Bouygues Télécom white label contracts have been amended, most recently in December 2012, to reflect Darty and Bouygues Télécom's new commercial relationship.

The Numericable Group was previously party to a white label contract with Auchan, a retailer, which contract was terminated in March 2013 when the Numericable Group acquired Auchan's television, broadband Internet and fixed telephony services business. The acquisition was completed on March 20, 2013 in the form of a partial transfer of certain of Auchan's businesses to Numericable, including a portion of its clients and related telecommunications and audiovisual services previously provided under a white label contract. This company was fully integrated into the Numericable Group's network as of December 31, 2013.

Revenues generated by the Numericable Group's fiber and DSL white label business amounted to €75.3 million and €49 million for the year ended December 31, 2012, and €90.7 million and €44.9 million for the year ended December 31, 2013, respectively.

MVNO Agreements

MVNO Agreements concluded with Bouygues Telecom

In 2007, the Numericable Group entered into several MVNO agreements with Bouygues Télécom for voice and data transmission. In 2010, these agreements were replaced with new agreements, pursuant to which the Numericable Group introduced its quadruple-play offering in 2011. The agreements relating to voice transmission services are due to expire in 2017 and will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiration dates. Upon renewal, they will be valid until further notice and may be terminated by either party upon twelve months' notice. The agreements relating to data transmission services were renewed in 2012 for an indefinite term. They may be terminated by either party upon twelve months' notice.

The financial terms of these agreements include a flat fee that corresponds to minimum levels of consumption by the Numericable Group's end-customers and a variable fee based on actual consumption (i.e., number of end-customers, amount of voice and data transmission services used). Bouygues Télécom must use its best efforts to comply with its obligations under these MVNO agreements and has a right to unilaterally modify these agreements should it be become unable to perform all or part of its obligations due to technical or regulatory reasons. In 2012, the Numericable Group negotiated more favorable financial terms (which retroactively apply as from January 2012) for the voice and data transmission contracts entered into with Bouygues Télécom, including reduced pricing on both the flat fee and variable fee component.

MVNO Agreements concluded with SFR

On April 11, 2011, LTI Telecom signed an MVNO agreement with SFR for voice and data services (SMS, MMS , data) for a period of nine years. At the end of the initial term, the contract is automatically renewed for an indefinite period unless terminated by either party upon giving six to 12 months' notice. However, the contract may be terminated during the initial period if LTI Telecom does not meet a specified annual volume of minutes.

Completel buys its own SIM cards and uses its own phone numbers assigned by ARCEP (MSISDN). As a result of certain amendments on November 22, 2013, the parties agreed on the conditions relating to the introduction of and provision for 4G service. Following the acquisition by the Numericable Group of LTI Telecom, the rights and obligations of LTI Telecom under this contract were assigned to Completel by an addendum signed on November 30, 2013. In this context, Completel pays to SFR (i) subscription fee and (ii) in case of exceeding the level of consumption included in the subscription, a fee based on actual consumption of end customers of the Numericable Group and the type of services, with a minimum annual billing based on the type of services.

Research and Development, Patents and Licenses

Research and Development

The Numericable Group's research and development department is located in Champs-sur-Marne France in the Chief Technology Officer's department. The principle successful innovation programs are the LaBox HMTL5 software and the cloud back-end services deployed in 2012 and 2013: social network services, porting services of others partners on LaBox and multiscreen software. In 2012, the Numericable Group filed patent applications under certain screenshot related in-house innovations on LaBox ''image capture in a video signal.''

Intellectual Property

The Numericable Group licenses its television programming content from third-party content providers. The Numericable Group enters into agreements directly with authors' rights societies in France, (including SACEM (Society of Authors, Composers and Publishers of Music), SDRM (Society for the administration of Mechanical Reproduction Rights of Authors, Composers rights and publishers); SCAM (Civil society of Multimedia Authors), SACD (Society of Dramatic Authors and Composers), ADAGP (society of Authors in the Graphic and Plastic Arts) and ANGOA (National Agency Management Works audiovisual)), and broadcasters and distributors. In general, the Numericable Group pays license fees based on subscriber numbers to these content providers, and the Numericable Group's agreements with certain content providers require it to pay minimum guarantees. The Numericable Group also pays royalties based on its subscribers' usage of on-demand content. See ''*—Licenses, Usage Rights, and Other Intangible Assets—Third-Party Copyrights*'' below.

Trademarks and Domain Names

The Numericable Group uses several trade names, trademarks and domain names in its business. Except for the trademarks ''Numericable,'' ''Completel,''; ''Numericable Group'' and ''La Box by Numericable,'' the Numericable Group does not believe that any of its other trade names, service marks or trademarks is material to its business. All of the Numericable Group's trademarks and device trademarks are protected in France and the European community. The Numericable Group has also registered various domain names, including www.numericable.com, www.numericable.fr and www.completel.fr.

Licenses, Usage Rights, and Other Intangible Assets

Third-Party Copyrights

As a broadcaster of musical and audiovisual works, the Group must comply with articles L. 132-20-1 and L. 217-2 of the French Intellectual Property Code (Code de la Propriété Intellectuelle), which requires the Group to pay a fee to SACEM, the SDRM SCAM, SACD, ADAGP and ANGOA in connection with broadcasting such works. ANGOA, SACEM, SDRM, ADAGP, SACD, SCAM pass on these payments to the authors, composers and publishers whose works are copied, broadcast or recorded.

The Group is party to an agreement with the ANGOA entered into in February 2011. This agreement was automatically renewed on December 13, 2013 for a one year period, and will be renewed automatically at the end of its initial term for successive one-year periods unless terminated by either party upon six months' notice. The fees charged by the ANGOA are based on the Group's overall revenues and are paid on a quarterly basis. The Group also guarantees a minimum fee per customer to the ANGOA.

The Group entered into a similar agreement with the SACEM, SDRM, ADAGP, SACD and SCAM in October 2003 that expired in December 2004, was extended until December 2009 and has since been automatically renewed for successive one-year periods. Pursuant to this contract, the Group pays quarterly fees to SACEM, SDRM, ADAGP, SACD and SCAM based on its overall revenues. This contract can be terminated at the end of each renewal period by either party, subject to a three-month notice period.

Regarding the private copying remuneration stated in Articles L 311-1 and further to the Code of Intellectual Property, the Group pays fees to ''Copie France'' depending on the nature and the recording capacity of the equipment used by subscribers which amounted to €3.3 million for the year ended December 31, 2012 and €4.0 million euros for the year ended December 31, 2013.

Property, Plant and Equipment

Significant Existing or Planned Property, Plant and Equipment

As of December 31, 2012 and December 31, 2013, the Numericable Group held property, plant and equipment with a gross value of €2.9 billion and €3.2 billion, respectively. As of such date, the Group's telecommunications network represented the majority of the total value of its property, plant and equipment. For detailed information on the Group's network, see ''—*The Group's Network*''.

The Group leases a number of its property, plant and equipment, in particular certain buildings and telecommunications network infrastructure. For the years ended December 31, 2012 and 2013, rental charges amounted to €25.8 million and €27 million, respectively.

Property, plant and equipment owned or leased by the Numericable Group consist primarily of the following:

- administrative buildings and offices for the Numericable Group's administrative and commercial needs, comprising 64 sites, primarily in France. In particular, the Numericable Group owns the registered office of Ypso France S.A.S., Numericable and NC Numericable, located in Champs-sur-Marne (Paris-Ile de France). The principal sites leased pursuant to commercial leases are located in La Défense (where the Company has its headquarters), Champs-sur-Marne, Isneauville and Limonest. The Company's registered office is located at the La Défense site.
- land, buildings and telecommunications network infrastructure. The Numericable Group owns the optical fiber and coaxial cables of its network, as well as its equipment, head-ends, subscriber access nodes, changeover switches, and connection equipment, and certain other portions of the access network, including the long-distance backbone network. The Numericable Group occupies the building that contains its principal network distribution frame, located in Palaiseau (Paris-Ile de France), The Group also occupies strategic technical sites in Marseille and Nanterre.
- 61 stores and warehouses belonging to or leased by the Numericable Group. The principal stores owned by the Numericable Group are those in Le Mans and Antibes, and the principal stores leased by the Numericable Group under commercial leases are those in Bordeaux, Metz and Saint-Quentin-en-Yvelines. movable assets, computer equipment and servers, in particular set-top boxes and other digital terminals and equipment installed on the premises of the Numericable Group's subscribers, of which the Numericable Group retains ownership and which must be returned to the Numericable Group upon termination of the subscription.

The Numericable Group believes that the usage rate of its various tangible fixed assets is consistent with its activity and its projected growth, as well as with its current and planned investments.

At the date of this offering memorandum, the capital assets of the Numericable Group are the investment in progress and planned investments presented.

Environment and Sustainable Development

Given the Numericable Group's activities and its current property, plant and equipment, the Numericable Group 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 Numericable 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 Numericable Group has implemented a number of environmental procedures with respect to its activity and its employees. The Numericable Group wishes to expand these procedures in the years to come.

Beyond limiting its direct impact, the Numericable 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, the new LaBox represents a significant advance, since it combines several functions (Blu-RayTM reader, TV-HD decoder and removable hard drive).

As from 2013 and for so long as the Company's shares are listed on Euronext Paris, the president of the Company's Board of Directors will be required to prepare detailed reports regarding its environmental footprint. A corresponding report will be published in April 2014.

Legal Proceedings

The Numericable Group is involved in legal, administrative and regulatory proceedings in the ordinary course of business. The most significant of the proceedings and disputes to which the Numericable Group is a party are described below. The Numericable Group records a provision when there is a sufficient probability that such disputes will result in a loss for the Company or one of its subsidiaries and the amount of such a loss can be reasonably estimated.

As of the date of this offering memorandum, the Numericable Group is not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) other than those mentioned below, that are likely to have or have had over the course of the last twelve months a material adverse effect on the financial condition or results of operations of the Company or the Numericable Group.

Tax Matters

The French tax authorities have conducted audits on various companies of the Numericable Group since 2005 with respect to the VAT rates applicable to the Numericable Group's multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, and to 10% as of January 1, 2014, while Internet and telephony services are subject to a 19.6% VAT rate, which has since been increased to 20% as of January 1, 2014. When marketing multiple-play offerings, the Numericable Group allocates a price reduction compared to the price it would charge for such services on a stand-alone basis. This price reduction is primarily applied to the Numericable Group's Internet and telephony services in multiple-play offerings, because such services are newer products. As a result, the VAT the Numericable Group charged to its multiple-play offerings subscribers was lower than the VAT that would have been charged if it had deemed the price reduction to apply primarily to the television services portion of its packages.

The French tax authorities assert that these price reductions should have been computed pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the Numericable Group's multiple-play packages and proposed adjustments for the fiscal years 2006 to 2010.

The Numericable Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Numericable Group asked the Ministry of Finance in December 2011 for a settlement of all the rectifications proposed by the Administration for all the companies of the Numericable Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for years 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on the composite VAT which was effective from 2008 to 2010. The new amounts of rectifications, amounting to €17.1 million (not including penalties of 40%) for fiscal years 2006 to 2009 were communicated to the Numericable Group at the end of August 2012.

Furthermore, in 2012, the tax authorities have also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, for a total amount of €6.1 million (except penalties of 40%). The Numericable Group responded on August 21, 2013 in order to contest the proposed assessments. No audit was initiated for 2011. The administration responded to the observations in October 2013 having maintained its adjustments. To date, the 2011 and subsequent years are not subject to tax audit on VAT and therefore do not affect the Numericable Group.

The tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million (out of the €17.1 million mentioned above for the 2006-2009 period)). The Numericable Group asked for a payment deferral and filed a complaint in September 2012 which was rejected by the tax authorities on June 27, 2013. The Numericable Group filed an additional request on August 20, 2013.

As of December 31, 2013, a tax provision of €36.3 million has been recorded covering all of the TVA tax risks (excluding penalties of 40% amounting to €7.1 million) with respect to the assessments for the years 2006 to 2010 (i.e., €24.9 million) and the risks related to the disputed charges from 2009 to 2011 for which assessments have been notified (i.e., €11.4 million).

VAT rules applicable to multi-play offerings changed as of January 1, 2011. For a description of the practices and situation of the Numericable Group since January 1, 2011, see ''*Risk Factors—Regulatory* *and Legal Risks—Tax audits and proceedings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on the Numericable Group's results of operations and cash flow*.''

Finally, in 2013, the tax authorities initiated tax audits on the Altice B2B France and Completel entities in respect of fiscal years 2010 and 2011, giving rise to proposed adjustments on December, 19 2013. These adjustments relate to the administration's queries on charges for services for which Altice B2B and Completel were beneficiaries in 2009, 2010 and 2011. For all adjustments considered (Income tax, VAT, withholding tax, penalties, surcharges and interest) a tax provision on December 31, 2013 of €11.4 million was recognized. The proposed adjustments would result in a reduction of reportable deficit of €28.5 million. The Numericable Group contested all adjustments on February 17, 2014. On December 31, 2013, a tax provision for a total amount of €36.3 million was recognized primarily covering all VAT risks (excluding penalties of 40% which amounted to €7.1 million) in respect of adjustments for fiscal years 2006 to 2010 (€24.9 million) and the risks associated with the proposed adjustments of charges for services in respect for fiscal years 2009 to 2011 (€11.4 million).

Other Matters

European Commission's in-depth inquiry into the transfer of cable infrastructure by certain municipalities

On July 17, 2013, the European Commission announced that it had opened an in-depth inquiry into whether the transfer of certain public cable infrastructure during such period by several French local authorities to Numericable was in accordance with European competition laws on State aid. The European Commission, in announcing the opening of the inquiry, noted that it believed the transfer of public goods to a private enterprise without appropriate compensation provides such enterprise with an economic advantage from which its competitors did not benefit and thus constitutes state aid under European Union rules, and that the free transfer of cable networks and ducts to Numericable operated by 33 French municipalities, according to its own estimates, conferred such an advantage and thus constituted state aid. At this stage, the European Commission has expressed doubts as to whether this alleged aid could be considered compatible with European Union rules. The Numericable Group firmly contests the existence of any state aid. In addition, this inquiry relates to a relatively small number of network plugs (approximately 200,000), the bulk of which have not been upgraded to EuroDocsis 3.0 and provide access only to a limited number of its TV services. The European Commission decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. The Numericable Group and the French government provided the EU Commission with information concerning the allegation of the existence of aid and its scope. The Numericable Group still firmly contests the existence of any state aid.

Dispute with Orange with respect to certain IRUs

The Numericable Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in conjunction with the Numericable Group's acquisition of certain companies which operated cable networks built by Orange. For more information on the construction of such networks, see ''*—The Numericable Group's Networks*'' and ''*Regulation—Legal Status of the Cable Networks*.'' These cable networks, which are only accessible through the civil engineering installations of Orange (mainly its ducts), are made available to the Numericable Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a 20-year term.

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 pursuant to which such operators could 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 the Numericable Group benefited from under the Orange IRUs. As a result, Orange requested the Numericable Group to comply with the general procedures regarding the access to Orange's ducts to maintain and upgrade its network. The ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. The Numericable Group appealed the decision in the French Supreme Court (Cour de Cassation) but on September 25, 2012 the Court upheld, for the most significant part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, the ARCEP initiated a sanctions procedure against the Numericable Group for not having complied with its November 4, 2010 decision. Consequently, in December 2011, the Numericable Group executed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in Orange's generic technical and commercial offer.

In the meantime, the sanctions procedure initiated by the ARCEP was not settled with the execution of the amendments to the IRUs and the Numericable Group was sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with the ARCEP's November 4, 2010 decision. This fine was paid in its entirety in 2012. The Numericable Group appealed this decision before the *Conseil d'Etat*. On October 21, 2013, the Conseil d'Etat annulled the ARCEP's decision to impose the above-mentioned penalty. The ARCEP has therefore reimbursed the €5.0 million to Numericable.

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 Numericable Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal and claims the same amount in damages. Orange, in turn, claims that the proceedings materially impaired its brand and image and claims €50 million in damages. The Paris Court of Appeal is expected to render its decision during the second or third quarter of 2014.

Dispute with Free relative to the advertising of mobile services

On August 3, 2011, Free filed a claim against Numericable S.A.S. and NC Numericable before the Commercial Court of Paris following the launch of a mobile offer by the Numericable Group in Spring 2011 through an advertising campaign entitled ''The mobile revolution.''

Free, who used the term ''revolution'' to refer to its initial launch of mobile phone services and whose latest offering was named the ''Freebox Revolution,'' argues that the Numericable Group's campaign led to customer confusion and damaged its brand and image. Free claims €10.0 million in damages.

After the hearing, the Court asked the opinion of the ''Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (DGCCRF)'' as to whether Free's assertions were justified with regard to the laws of advertising.

The DGCCRF issued an opinion in which it indicated that the questions raised by Free did not constitute misleading or irregular advertising inconsistent with applicable advertising law. However, on December 13, 2013, the Commercial Court of Paris ruled that NC Numericable would have to pay €6.4 million in damages to Free. NC Numericable has appealed this decision.

Dispute with the Ligue de Football Professionnel (Professional Soccer League)

On April 26, 2013, the Ligue de Football Professionnel (the ''LFP'') asked the Commercial Court of Nanterre to rule that Numericable and NC Numericable had abused their dominant position and breached their non-discrimination obligation to the LFP when the LFP was producing its channel CFoot. The LFP is asking for €4.1 million in damages. More specifically, the LFP is complaining of the low level of remuneration received to market its CFoot channel by comparison with the remuneration of certain sports channels marketed in its bundles. The Commercial Court of Nanterre is expected to render its decision in 2014.

Disputes with various providers of value-added services (VAS)

By related complaints dated February 19, 2013, five providers of added-value telephony services that offer their services to the public through Completel's premium-rate (0899) telephone numbers commenced litigation against Completel in the Commercial Court of Nanterre, asking that Completel be ordered to pay a total of €350,000 in repayment of amounts withheld by Completel out of amounts collected on their behalf. Completel withheld these amounts in response to the practices of these companies, which in Completel's view violate their agreements with Completel, as well the industry's ethics rules. Moreover, these companies seek a total of €12.0 million in damages for prejudice they claimed to have suffered as a result of the withholding of amounts due by Completel.

In addition, because Completel decided in November 2012 to terminate this business, it suspended certain repayments and applied various contractual penalties to companies marketing this type of value-added telephony service. Certain of these companies brought action against Completel in various commercial courts, asking for payment of the amounts withheld by Completel or the cancellation of the penalties applied by Completel. The total amount that remains claimed is €400,000 which mostly includes amounts collected on behalf of the providers.

Actions of Colt, Free and Orange Before the General Court of the European Union Regarding DSP 92

Colt, Free and Orange, through three distinct actions, sought for the General Court of the European Union to annul the September 30, 2009 decision of the European Commission (decision no. C (2009) 7426), which considered that the granting of €59 million in compensation for the public service costs for the establishment and operation of a network of very high speed electronic communications in the Hauts de Seine department did not constitute state aid under the rules of the European Union. The Numericable Group was not a party to these actions; its subsidiary, Sequalum, intervened in the proceedings, as did the French State and the Hauts de Seine department. By three orders dated September 16, 2013, the General Court of the European Union rejected the claims of the three claimants and confirmed the aforementioned decision of the European Commission approving such public financing. Appeals before the Court of Justice of the European Union were filed by Free and Orange before the end of 2013.

Claim by Bouygues Télécom against Numericable, Completel, and NC Numericable

In late October 2013, Numericable, Completel and NC Numericable received a letter from Bouygues Télécom claiming damages with respect to the white label contract entered into on May 14, 2009, initially for a period of five years and extended once for an additional five years, among these companies and Bouygues Télécom for the supply to Bouygues Télécom of double and triple-play high speed services. In this letter, Bouygues Télécom claimed damages in a total amount of €53.0 million including (i) €17.3 million for pre-contractual fraud (provision of erroneous information prior to the signature of the contract), (ii) €33.3 million for breaches by the Company in the performance of the contract and (iii) €2.4 million for harm to Bouygues Télécom's image. Numericable Group considers Bouygues Télécom's claims unfounded, both factually and contractually, and contests both Bouygues Télécom's allegations as well as the amount of damages claimed. The Company, however, intends to continue operational discussions that occur regularly between the parties relating to the performance of the contract. In this respect, Bouygues Telecom has also requested certain modifications to the contract as part of its claims. Notwithstanding the above, as of the date of this offering memorandum, the contractual obligations remain the same between the parties is similar as which was in force before October 2013. This contract, which terminates in 2019, generated €37.3 million of revenues in 2012, representing 49.6% of total B2C white label revenues of €75.3 million and 2.8% of total group revenues.

Investigation by the Regional Chamber accounts of Ile -de- France DSP 92

In November 2013, a number of articles were published stating that the Regional Chamber accounts of Ile -de- France had opened an investigation into the management of the ''Departement des Hauts -de- Seine'' between 2004 and 2007. The articles reported that the investigation would focus primarily on project DSP 92 granted to Numericable and in particular the provision of €59.0 million in compensation for public service costs for the establishment and operating an electronic communications network at very high speed in the ''Departement des Hauts de Seine''. The Numericable Group has no information about the object or the timing of this investigation and therefore as to its exact nature or its potential impact on the Numericable Group. However, the DSP 92 has been validated by the French administrative court, the European Commission and the Court of the European Union, which had previously received complaints relating to DSP 92. The Regional Chamber accounts of Ile -de- France has no power to act against a non-governmental entity.

Labor Disputes

The Numericable Group is involved in a certain number of labor disputes, a significant number of which result from the substantial mergers with UPC-NOOS which took place between 2006 and 2007. Until 2009, these mergers led to adjustments and harmonizations of the Numericable Group's labor policies which have been contentious in some instances. The claims relating to these disputes could amount up to approximately €4.0 million. These disputes largely consist of employees contesting the reasons or the process for their dismissals.

BUSINESS OF SFR

In this section, references to ''SFR,'' ''it,'' and other similar terms are generally used to refer to the business of SFR and references to ''Company,'' ''we,'' ''our'' and other similar terms refer to the Numericable Group.

Overview of SFR's Business

SFR is a leading alternative telecommunications operator in France, with a combined revenue of €10.2 billion and an EBITDA of almost €2.8 billion for the year ended December 31, 2013. Created in 1987, SFR has expanded progressively to become an integrated operator (''Integrated Alternative Operator''), with diversified services in fixed, mobile internet and telephony sectors distributed over the following markets: residential market (''B2C''), business market (''B2B'') and wholesale market and other (''Wholesale and Other''). The B2C market corresponds to offerings and services marketed to consumers and professionals (with fewer than three employees) in metropolitan France. The B2B market includes services offered to large accounts, SMEs/VSEs and public administrations in metropolitan France. The Wholesale market and Other includes (i) services offered to virtual mobile operators, MVNOs, or to foreign mobile operators whose customers use SFR's network; (ii) voice and data transmission services; (iii) wholesale services that rely on the fiber network infrastructure; and (iv) white label DSL services offered to telecommunications operators and Internet access providers that are customers of SFR.

As of December 31, 2013, SFR had more than 21 million mobile customers and more than 5.2 million broadband Internet customers.

In the B2C market for the year ended December 31, 2013, SFR generated revenue of €6.9 billion (67% of its total revenue). SFR provides its customers with a full range of plans and services, both in mobile services (mobile subscription packages with and without contract, prepaid plans and data-only mobile internet plans) and in fixed services (fixed internet plans and associated services). SFR has also developed a range of convergent quadruple play offers integrating both fixed and mobile telephone services, broadband internet access and television access. It also offers additional services such as home automation and cloud computing through SFR cloud. This diversity of products has enabled SFR to develop a substantial customer base (almost 15 million mobile customers and more than 5.2 million broadband internet customers, including almost 200,000 FTTH customers).

In the B2B market for the year ended December 31, 2013, SFR generated revenue of €1.8 billion (18% of total revenue). Similarly to the B2C market, SFR draws on an enhanced range of mobile connectivity (voice, data, MtoM, management services) and fixed connectivity (internet, switched telephony, VoIP) services. SFR has also developed a catalogue of additional services which, integrated into the traditional plans, allows SFR to meet the increasing digital requirements of companies, notably in terms of unified communications, security, business line applications via the cloud and consideration of mobility requirements. This broad offering makes it possible to cover the different customer segments (corporate, SME/microbusiness and public administrations in Metropolitan France) more efficiently and has enabled SFR to have a base of over 160,000 business customers at of December 31, 2013.

The revenue generated for the year ended December 31, 2013 by the Wholesale market and Other[(1)] represented €1.5 billion (15% of total revenue). The extent and the quality of the networks of SFR, together with its experience of over 15 years working with wholesale, has enabled it to benefit from a significant position on this market with more than 200 operator customers (both French and international). SFR offers operator customers services for routing traffic (fixed and mobile data and voice), infrastructure (hosting, bandwidth), call terminations in France and internationally and MVNO ''white label'' products. These offers enable SFR to optimize the use of its fixed and mobile network infrastructures via the resale of traffic to third party operators, while benefiting from the economies of scale.

Strengths and Assets of SFR

We believe that SFR has a number of assets and strengths. SFR has a substantial customer base in France in the B2C, B2B and Wholesale markets, both in the mobile and in fixed sectors. It has

(1) The Wholesale market and other revenue covers the revenue generated by the operators division of SFR, generated by SRR, which exercises its operations in La Réunion and Mayotte, and by SFR Collectivités and its subsidiaries with local authorities, and lastly covers inter-segment eliminations.

demonstrated its ability to adapt to the changes in the market: historically with a gradual change in its economic model, and more recently in response to the changing competitive landscape through a transformation plan launched in 2012. SFR intends to demonstrate the same ability to adapt to future market changes by establishing selective partnerships to launch innovative products and solutions. In addition, SFR draws on a considerable number of valuable assets: its own network infrastructure, which also benefits from network sharing agreements with other principal operators (both on fixed and on mobile), a sizeable physical distribution network accompanied by adapted multi-channel tools, a strong and recognized brand associated with quality and reliability, and lastly a strategic partnership with Vodafone, with significant commercial benefits on the B2B market through a capacity to offer international plans. These various assets are supported by an experienced managerial team, accompanied by an organization dedicated to the transformation of the company.

Moreover, we believe SFR is well-positioned to benefit from future changes in the French market and affirm its position as the largest Integrated Alternative Operator in the fixed and mobile segments. In the B2C market, SFR seeks to grow its revenues through a differentiation strategy which will reinforce its position in the market. This differentiation will be effected both in mobile and fixed services, and will facilitate responding to the convergence (fixed/mobile) requirements of users. In the B2B segment, SFR may attempt to gain market share on the SME/microbusiness segment notably through an adapted commercial coverage. SFR seeks to accelerate the development of convergent fixed/mobile offers in order to address the growing need for unified ''all-in-one'' packages. Lastly, SFR aims to continue to seize growth opportunities adjacent to its core business, notably in the strongly growing sectors (cloud, MtoM). In the Wholesale market, SFR intends to strengthen its presence among all its customers, notably through maintaining an important position among MVNOs, strengthening its position with international operators, in particular via the rollout of fiber, and concentrating commercial efforts on high potential opportunities with the development of custom plans.

SFR is implementing the necessary initiatives to support this strategy, through the continuation of its transformation plan initiated in 2012. This plan focuses on the rollout of quality very high speed mobile and fixed networks, the improvement in commercial performance, the reinforcement of the multi-channel strategy and operational effectiveness through optimization and simplification of its processes and tools.

As of December 31, 2013, SFR had approximately 21.4 million mobile customers and more than 5.2 million broadband Internet customers. The table below shows the changes in the mobile customer base and the broadband internet customer base of SFR between 2011 and 2013 (data is as of December 31, 2011, 2012 and 2013, respectively):

	2013	2012	2011
	Customer base (in thousands)		
Mobile	21,354	20,690	21,463
Broadband Internet[(a)]	5,257	5,075	5,019

(a) Broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akeo 1P and 2P customers.

The table below shows SFR's revenue in each of its markets. Wholesale and Other revenue also includes revenue generated by SRR, a subsidiary of SFR that offers services in La Réunion and Mayotte to B2C and B2B customers; SFR Collectivités and its subsidiaries; and inter-segment eliminations.

The table below shows the evolution of changes in each segment between 2011 and 2013:

	2013		2012		2011	
	Revenue	Share of revenue	Revenue	Share of revenue	Revenue	Share of Revenue
			(in millions of euros)			
B2C	6,873	67%	7,974	71%	8,982	74%
B2B	1,789	18%	1,871	17%	1,868	15%
Wholesale and Other	1,536	15%	1,442	13%	1,333	11%
Total combined revenue	**10,199**	**100%**	**11,288**	**100%**	**12,183**	**100%**

SFR's Products and Services

The B2C Market

As of December 31, 2013, through its mobile and fixed B2C customers, SFR had approximately 14.6 million mobile customers and more than 5.2 million Broadband Internet customers in metropolitan areas of France, including approximately 5 million ADSL customers and close to 200,000 fiber customers. SFR also offers converging quadruple play fixed/mobile services as well as related services to B2C customers, in particular cloud-based and automation services. Finally, in order to attract and serve its residential customers, SFR has developed a multi-channel distribution and customer-relations approach.

The table below shows the changes in revenue in the B2C market:

	2013	2012	2011	% change 2013 compared with 2012	% change 2012 compared with 2011
			(in millions of €)		
Revenue—B2C(1)	6,873	7,974	8,982	−13.8%	−11.2%

(1) The prices discussed in this section are correct as of March 25, 2014.

Mobile Offerings

SFR is active primarily in the post-paid subscriptions segment (78% of its mobile customer base as of the end of 2013, versus 22% for prepaid offers). Recent changes in the market have led it to differentiate its offerings, and, in particular, to enrich its premium offerings. However, as the largest Integrated Alternative Operator, SFR nevertheless serves the entire B2C market, including the no-frills segment.

Premium post-paid offers—''Formules Carrées''

The ''Formules Carrées'' consist of SFR's premium post-paid mobile telephony offers. The offers are divided into eight plans. The price of these plans varies from €9.99 per month (including VAT) (the price for a SIM-only device for Carré 2H+50 MB with a 12-month commitment) to €149.99 per month (including VAT) (Carré International Premium with a new device and a 24-month commitment). These offers all include unlimited SMS and MMS texting, but include voice and data limits that vary depending on the plan chosen. Subscribers of these plans all benefit from the very high-speed Internet network (Dual Carrier and 4G). The ''Formules Carrées'' enable a customer to obtain a subsidized device and a suite of services: exclusive ''Extra'' content of their choice for eligible packages (iCoyote, Napster, CanalPlay, Gameloft or SFR Press), and access to SFR cloud (with storage capacity of 10 or 100 GB, depending on the plan), and some of the offers include SFR TV (access to direct or on-demand television from a mobile phone) or MultiSurf (additional SIM cards enable data sharing with other devices). The ''Services Carrés'' (Silver, Gold or Platinum) cover a collection of services or benefits such as loaned mobile phones or attractive renewal terms, to a greater or lesser extent depending on the plan chosen. Some of these offers are also available with capped call plans. Lastly, ''Formules Carrées'' customers receive ''Multi-Pack'' discounts if they also subscribe to an SFR box offer.

''No frills'' post-paid offers—''RED''

SFR offers customers four post-paid RED plans with no commitments, no device, and for which subscription and support are available primarily via a website. These plans are offered at between €4.99 and €25.99 per month, including taxes. RED plan customers have access to the same network technologies as the ''Formules Carrées'' customers. In particular, they may opt for the RED 5 GB plan, which offers access to the 4G network and unlimited access to YouTube videos. On the other hand, RED plan customers do not receive the services associated with the ''Formules Carrées'' and are not eligible for the ''Multi-Pack'' discounts. As of December 31, 2013, approximately 16% of SFR's post-paid customer base used no frills offers.

Pre-paid offers—''SFR La Carte''

SFR offers prepaid packages at attractive prices under the ''SFR La Carte'' brand. The customer purchases a SIM card at a price of €9.99, including tax, and can then recharge the card by telephone, on the Internet, by purchase of recharge coupons or tickets at a physical point of sale, or at ATM machines of SFR's partner banks. Several lines of prepaid recharges are available to clients: they include voice, SMS and MMS as well as data plans. These cost between €5 and €95, depending on their type and on the duration of validity of the credits (from one week to five months).

Remote access offers—''Connecté Partout (Connected Everywhere)''

SFR offers two plans for tablets giving customers access to its very high-speed mobile network (Dual Carrier and 4G), as well as unlimited use of the SFR WiFi service. These offers include a selection of tablets at reduced prices (with a 24-month commitment and including the SFR TV option). Without a commitment and no access to a tablet, they are sold at €14.99 per month for 3 GB of data use (€24.99, including tax, for 6 GB). With a 24-month commitment and access to a reduced-price tablet, they are sold for €24.99, including tax, for 3 GB of data use (€34.99 including tax for 6 GB).

SFR also offers a prepaid package for tablets intended for occasional use. The user buys a SIM card at a price of €9.90 including tax, and receives a 200-MB credit that can be used for two weeks and recharged thereafter.

Finally, SFR offers Internet keys and prepaid ''ready to surf'' kits (SFR Connecté Partout recharges).

Fixed telephony offers

As of December 31, 2013, approximately 827,000 of SFR's customers were households in metropolitan areas of France receiving fixed telephony services without associated internet access. SFR offers two types of services:

- Pre-selection offers (call-by-call selection or automatic pre-selection), in which the customer keeps his subscription with the historic operator; and
- Offers that include the subscription for the telephone line, in which the customer obtains his telephone subscription from SFR rather than from Orange.

SFR's fixed telephony offerings include options such as voicemail, conference calls with three participants, portability of the customer's current number, call forwarding, a call answering system and the blocking of anonymous calls.

Stand-Alone Internet (single-play)

SFR offers stand-alone fixed internet, which provides high-speed internet access with pre-selection telephony service.

Bundled offers (double-play)

In addition, SFR offers Internet access services as part of grouped offers, called double-play, which also include unlimited telephony services to fixed-line telephones in metropolitan France, in a number of France's overseas departments[(2)] and to more than 100 destinations internationally, including mobile services in China, the United States and Canada. Customers may also subscribe for an option of unlimited telephone calls to mobiles in metropolitan France and in the overseas departments (not including Mayotte) for €5 per month, without any commitment period.

IP Television service in connection with triple-play offers

An IP television service may be added to the Internet and telephony services in connection with two triple-play offers. The ''La Box de SFR'' offer costs €29.99 per month including tax for unbundled customers and €34.99 per month including tax for customers that are not unbundled. Customers can add the television option for an extra fee (€2 or €3 per month depending on the option). The triple-play offer ''La Fibre de SFR'' is offered for €35.99 per month including tax (of which €3 is for the television offer). There are four television options at €2 or €3 including tax per month for customers subscribing for this triple-play offer:

- the Evolution television offer, at €3 per month including 170 channels (including 32 in HD), enabling the television to be used as a Media-center platform, and which includes an intuitive 3D navigation interface, a set-top box that enables remote digital recording on a 250 GB hard drive, and a direct control option;

(2) French Guyana, Guadeloupe, Martinique, La Réunion, Saint Barthélemy, Saint Martin, Saint-Pierre-et-Miquelon

- the classic television offer is intended for customers who have subscribed online for SFR's box offers, for a set-top box rental fee of €2 per month. This offer does not permit direct control or recording;
- the satellite television offer, available for €2 per month, includes more than 80 channels; and
- the Google Play television offer is intended in particular for customers who cannot benefit from the enriched television service services due to the technical characteristics of their line. Due to a dedicated SFR with Google Play set-top box, offered for €3, they have access to 25 channels through TNT, as well as to premium television services such as television and video on demand and a radio and television program guide. This offer also enables use of Google Play, YouTube, Google Chrome, Google Photos and Google research, as well as to applications in the Google Play store.

In addition, customers may subscribe for additional premium television services, as an option (more than 200 additional channels, television on demand/replay, video on demand, program guide, radio, games on demand).

All of these packages also permit access to television from a computer and access to the application SFR TV, through which the customer can access television services from his mobile device. The majority of clients of SFR's internet offers have opted for triple play offers.

Fixed/Mobile convergence

SFR delivers converged offerings to residential customers, through a catalogue of flexible offers for customers who wish to have both fixed and mobile premium subscriptions. These offers are competitively priced through the ''Multi-Pack'' discounts.

Additional services

SFR cloud: with all of its mobile ''Formules Carrées'' and fixed Internet packages, SFR offers an online storage service called ''SFR cloud''. SFR's customers can store their multimedia content in this way (including music, photos and videos), and retrieve it on their connected devices (such as computers, smartphones and tablets) as well as share it. We believe that SFR's online storage space, which is hosted in France, is secure and confidential.

Home by SFR: SFR was the first telecommunications operator to offer automation to residential customers, with its innovative Home by SFR offering. Home by SFR functions with all internet boxes, including those from other operators, and includes two subscription packages: the Home Security package, at €9.99 including tax per month, and the Premium Home Security pack at €19.99 including tax per month, which offers additional services such as video in real time or 24-hour on-site services, in addition to the services included in the basic package (such as break-in prevention, unlimited alerts, remote operation).

SFR PayCard: SFR offers a rechargeable MasterCard, for €14.90 including tax per month, which allows customers to make purchases on the Internet without using their bank account information, to withdraw cash from MasterCard ATMs in France and abroad, to send money to other SFR PayCard holders, and to receive wire transfers. The payment card is valid throughout in the MasterCard network in France and abroad.

Sales and Marketing

SFR markets its products through several distribution channels. SFR has developed a variety of different channels so as to meet its different customer needs and expectations.

Espaces SFR

At year-end 2013 SFR managed a retail network of approximately 770 physical stores called ''Espaces SFR'' (SFR Spaces) owned by different partners in France. In 2013, more than 77 million visitors visited ''Espaces SFR''. SFR continually invests in this network in order to modernize it and maintain the quality of the in-store customer experience.

Points of sale through partnerships with large French retailers

SFR also relies on a distribution network of points of sale through other partnerships with the large French retailers (specialized stores, retail and convenience stores).

In particular, SFR has entered into a partnership with Fnac to distribute its products in a dedicated space inside Fnac's 24 largest stores.

Website

SFR offers its products on its website (www.sfr.fr), which receives more than 120 million visits per month. This website presents all of SFR's B2C offerings and offers exclusive promotions, both for subscription offers and on a line of mobile devices and accessories. We believe that this website is an effective tool, enabling it to respond to its customers' needs, both for premium offers (the ''Formules Carrées'') and for its no-frills offers (''RED'').

Telephony

Some offers are sold through call centers.

B2B Market

The evolution of practices shows new trends in the B2B market which strengthen performance, reliability and, more generally, security challenges.

Increases in travel and telecommuting as well as the growth of the group work has led to a growth in data use in the B2B Market, in particular mobile data use, over all customer devices, and it creates new needs with respect to the virtualization of applications and data. SFR has responded to these needs through a catalogue of standardized solutions available to all of its business customers.

The following table shows the changes in SFR's revenue in the B2B Market:

	2013	2012	2011	% change 2013 compared with 2012	% change 2012 compared with 2011
			(in millions of €)		
Revenue—B2B	1,789	1,871	1,868	−4.4%	0.2%

While certain trends are present throughout the B2B Market, the different customer segments also have different needs. SFR uses the following segmentation for its business customers: large accounts, SMEs/ VSEs (with VSEs including businesses with between 3 and 19 employees) and pubic administrations in metropolitan areas of France.

- For large accounts through its internal sales force, SFR offers customized, reliable and secure solutions, based on a combination of standardized products and more specific additional services. Similarly, reliability and security solutions are offered within standardized products in the business sector through partner distribution networks;
- The high-potential SME/VSE segment is addressed through standardized, effective and reliable solutions offering predictability in terms of cost.

The nature of the activities of business customers and the growth in the complexity of their usage are leading to simplification of supplier offerings. SFR has responded fully to these needs through its unified ''all-in-one'' communications offerings.

Finally, SFR has developed a series of additional services to complement its traditional offerings, which are part of the future development of high-growth segments such as cloud and MtoM.

Voice and data offers

SFR's mobile offers for all segments of the B2B Market include five mobile voice and data packages and follow the same pattern as the B2C market offers, with additional options including, in particular, unlimited SMS/MMS texting as well as different levels of data use, as well as four data access packages for tablets and computers offering Internet access from 2 MB to 8 MB depending on the offer.

Management and telecommunication monitoring offerings

SFR offers telecommunication monitoring services to businesses. These provide simple tools including a dashboard showing expenses and telecommunications use, enabling businesses to effectively manage their fleet of devices.

Device management and security are offered to all customers. Mobile Device Management (''MDM'') enables customers to manage and secure their smartphone and tablet fleets remotely, in particular by erasing business information in the event of theft. Devices are configured centrally through a cloud platform.

Fixed voice offerings

SFR offers fixed telephone packages in the SFR Office line. They include calls to fixed telephones and mobiles in the business's internal SFR fleet, with special support including a dedicated customer service, guarantee of repair within less than four hours, including an onsite technician if necessary, and a choice of single, consolidated, or separate invoicing.

Fixed data offerings

SFR offers all of its clients two fixed data packages:

- SFR DSL, an adapted high-speed Internet solution that includes mono-site ADSL Internet access up to 20Mbps, as well as supply of a WiFi router.
- SFR Connect, which offers access to dedicated fiber or mono-site SDSL, with symmetric speeds guaranteed up to 1 Gbps in fiber or 16 Mbps in SDSL, and a primary router.

Voice and data specific to SMEs/VSEs

For professionals and VSEs, SFR offers packages that follow the same pattern as the B2C market packages. The ''Formules Carrées'' also include specific additional benefits adapted to professionals and VSEs, such as reimbursement offers, priority appointments at SFR stores, dedicated customer service, Femto technology, or free second SIM card.

Mobile offers for SMEs also provide professional telephony service (such as business directory services, fleet management customer areas, consumption alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

Fixed services specific to SMEs/VSEs

SFR offers a Pro version of its internet box for small businesses, which includes services adapted to this segment. SFR also offers SMEs/VSEs high-speed and very high-speed Internet access solutions, with security services adapted to the needs of businesses (connection security and filtering rules, availability of access with emergency access, application visibility). Finally, the Cloud Business Store enables its customers to access a catalogue of applications corresponding to their sector of activity.

Solutions specifically adapted to the large account segments

The SFR Ipnet offer for large accounts and businesses includes multi-site access in France and internationally (a virtual private network with guaranteed routing and prioritized data traffic). It enables businesses to transfer and secure data among all of the business' sites in France and abroad, thus improving the performance of its applications.

The SFR Ethernet offer, designed specifically for large accounts, includes access to a LAN enabling companies to link their local networks through a very high-speed medium. As such, it permits business customers to divide and share network resources (such as through LAN and servers) and to connect their primary sites (such as offices and data centers) through flexible point-to-point architecture, with an exhaustive line of speeds and access.

Unified communications offers (''all-in-one'')

Three unified communications solutions are offered in the form of packages, guaranteeing a solution entirely hosted by SFR, with a centralized mono-site or multi-site telephone switchboard and fixed/mobile convergence services.

Corporate Business Package

The Corporate Business Package is offered specifically to large accounts. This package is a unified telephony and communications services in Cloud mode, which can be adapted for each business and relies on three main principles: rich functionality of unified communications, payment for usage, and the guarantee of a single contact person for the simplest possible management. This package is a global offer including a platform of services in the core network and centralized-operator voice access, build on the customer's SFR Ipnet network. It offers personalized end-to-end support (design, deployment and operation), advanced business telephone functionalities, a unified message system, a fixed or mobile number, and softphone service. This package also gives access to high value-added functionalities: unified message service and continuity of service regardless of what device is used (fixed or mobile). It all permits remote or mobile access.

Enterprise Business Package

The Enterprise Business Package includes availability of a dedicated project head during on-site placement and installation by licensed technicians. In addition to the advantages offered by a telephone switchboard (call transfer, call forwarding, conference calls, etc.), a series of innovative services relating to IP telephony are offered. SFR offers a single fixed and mobile message service, a single number to be used for both fixed and mobile, as well as a complete convergence service at a price of €59 excluding tax per month (including a telephone), and €36 excluding tax per month per additional line.

Entrepreneurs Business Package

The Entrepreneurs Business Package, offered to VSEs, is based on telecommunications and Cloud solutions. It is dedicated to businesses of fewer than 20 employees and offered at a price of €159 excluding tax per month with a 36-month commitment. Each fixed-line user beyond the first line costs €36 excluding tax per month, while each additional mobile user costs €59 excluding tax per month.

Conference and call-sharing offerings

SFR offers a collection of conferencing and sharing solutions, adapted to the needs of its customers of all sizes:

(i) SFR Business Audioweb Offer

The SFR Business Audioweb offer is an audio-conference service that also enables sharing and transfer of documents. It may also be augmented by SFR Business Conferencing Visio, which includes unlimited ''visio'' communications, sharing and transfer of documents, high-definition equipment (screen, camera, microphone), and equipment operation and maintenance.

(ii) SFR Business Sfere Offer

SFR Business Sfere is offered to large customer accounts. It includes Internet hosting and professional messaging. A business client may thus access the site-visit statistics, and has a complete business messaging environment available anywhere, including email box, calendar, contacts and personalization of email addresses.

Machine-to-Machine offers

Machine-to-Machine offers (''MtoM'') permit a group of fixed or mobile machines to exchange information using a central server. Geolocalization (GPS) or payment by credit card is an example of this.

(i) MtoM connectivity solutions

SFR offers standard connectivity. To respond to specific needs tied to critical, sensitive and/or high-volume projects, SFR has developed an industrial management system of MtoM SIM cards, enabling it to offer different rates and functionalities for each phase of the customer project and thus to optimize its changes of success.

(ii) MtoM business solutions

SFR offers packaged solutions for credit card payment.

- The ''Money Store'' package offers fixed-location businesses a complete fixed or mobile solution including an electronic payment device. It offers an unlimited number of transactions, a monthly communications fee as well as maintenance service including 24 hour replacement of the device. These services are available for €34.90 excluding tax per month with a device or €15 excluding tax per month without a device.
- The ''Money-n-Go'' package for out-of-store payments is also available at the same rate of €34.99 excluding tax per month.

(iii) m-Alert Absolu Solution

SFR also offers security services for property and individuals. The ''m-Alert Absolu'' solution is a geolocalized pocket alert system using a mini-GPS and intelligent networks installed by SFR. This innovative device is intended for all professionals in risky professions, for isolated professionals (such as travelling professionals, travelling technicians, doctors and/or nurses) and for dependent persons, who can be located if necessary.

Cloud: Infrastructure and IaaS offers

SFR is present on the Cloud market through its own offerings and its investment in the Numergy sovereign Cloud project, in which it holds a 47% stake alongside Bull and the Caisse des Dépôts et Consignations.

An on-demand Infrastructure offering of the IaaS type (''Infrastructure as a Service''), called a cloud Infrastructure Suite, is offered to clients, in particular to large accounts. The offering is composed of a hosting service on virtual servers in a shared environment. It enables a business to manage, optimize and evolve a portion or even all of its information system structures on demand and as a function of its needs. Thus, it is a structure for externalization of computing resources in a secure environment. This IaaS solution covers Public cloud and Private cloud needs. Public cloud refers to application and/or website hosting in a secure environment intended for third-part use, while the Private cloud refers to an infrastructure reserved for the exclusive use of a single organization in a secured and cloistered environment.

SFR offers a turnkey hosting service and content-acceleration and managed services. In addition, through its partnership with Hewlett-Packard, SFR is the largest French supplier of overflow services (when internal capacity is saturated) in the cloud for its customers using Hewlett-Packard technology.

SFR offers a cloud Storage Suite that responds to business needs for secure storage, sharing and data safeguarding. This all-in-one solution, invoiced according to usage, includes three complementary services:

- SFR storage: data storage service respecting the ergonomics of business applications to which the business is accustomed.
- SFR Sync: an automatic data-synchronization service for businesses, made available at all workstations and employee work tools. Files are backed up and access to files is secured.
- SFR Backup: an automatic data-backup service for businesses, which makes data available from any device. Data security is ensured by an encryption service for access and storage, for optimum confidentiality.

Among its cloud-collaboration solutions, SFR also offers Collaboration Office 365, which regroups the Microsoft Office tools (professional email, conference and instant messaging, online document-sharing, and office management applications) and makes them available online at any time.

The cloud Business Store is a sales portal for Saas (Software as a Service) solutions intended for companies, microenterprises and professionals. It gives them access to an on-line catalogue of innovative and effective software solutions. In addition to office technology solutions (Microsoft Office 365), businesses and professionals can find client relationship management solutions, accounting, archiving, marketing, e-mailing, security solutions or even solutions for translating phone conversations. These solutions can be deployed flexibly, on all handsets and as mobile applications. These solutions include a system for sending 100% electronic registered letters (e-velop by SFR), an Internet browsing security system (SFR Proxy cloud), a multichannel message broadcasting service (SFR Push Contact), a simplified web site publication tool (SFR Mon Site Business), and a cloud virtual office (SFR Explorateur de cloud).

Cybersecurity offers

Computer security is a core business of telecommunications and cloud operators. Bolstered by its experience in this field, SFR has constructed a security services catalogue.

(i) Internet access protection and security

SFR launched its first managed Internet access protection and security services in 2005. It now offers integrated and managed services and SaaS Internet security solutions such as Internet filtering (Proxy SaaS). It works in close collaboration with security specialists to meet the security requirements of its clients. SFR also offers secured device and remote access management solutions with virtual private networks (VPN) and secured authentication services, particularly in the cloud solutions.

(ii) Reinforcement of the levels of protection for corporate information

SFR offers data synchronization, storage and backup solutions. SFR also provides responses to evolved threats such as attempted system intrusions and denial of service attacks.

The ''packaged'' computer data security service offers are structured around four themes: Devices, Network, Internet and cloud. SFR offers support and assistance with engineers certified by the publishers of partner solutions.

Client relationship offers

(i) Special numbers

SFR has been a special numbers collection operator for approximately 15 years via the Cegetel companies, then Neuf Cegetel. Some 6,000 companies are special numbers clients of SFR (No. 08AB, No. 09, No. 3BPQ, Proxinum). In all, over 150,000 numbers, totaling over 2 billion minutes, have been activated in the SFR network.

(ii) Telephone answering: Voice Portal range

The Voice Portal product range was designed to support and assist businesses in their effort to optimize and automate their telephone answering operations. It includes a set of packaged solutions adapted to the needs of each client that is available through numerous offers (Pack Contact, Pack Interactif, Pack VXML and Pack Vocal Premium).

(iii) Contact centers: ''Genesys by SFR'' solutions and ''Cross-Channel Contracts Centre''

The ''Genesys by SFR'' and Centre de Contacts Cross-Canal'' solutions cover respectively the call centers for very large accounts (over 1,000 call center agents) and middle market segment (50 to 500 call center agents). These hosted solutions allow businesses to manage their incoming contacts consistently whatever the channel used by the client (particularly telephone, e-mail, mail, fax, chat, social networks or avatars). Offering a 360° client view, these solutions require strong integration with the client's information system. These are thus highly personalized, on-demand solutions.

The Cross-Channel Contacts Centre solution also exists in a packaged, non-customizable version for SMEs (fewer than 20 call center agents).

(iv) Marketing campaign management

SFR offers three solutions for managing multi-channel outgoing marketing campaigns: the Diffusion MultiCanal offer, intended for large corporations, Pack Diffusion, for SME and SFR Push Contact, marketed to professionals and microenterprises. These three offers make it possible to send messages (unitary or in direct marketing mode) via the channel most suited to the target: SMS, MMS, e-mail, fax or voice ads. These campaigns are managed by means of an on-line extranet or application programming interface.

The E-velop offer provides all clients a 100% electronic registered letter service with acknowledgement of receipt that facilitates the administrative management of the company. This solution has the legal force associated with sending a traditional registered letter for the signing or performance of a contract. Registered letters are sealed and identified by a unique identifier.

Wholesale and Other

SFR is active in the Wholesale market. The company provides operators with service offers (fixed and mobile voice and data) for routing traffic or for providing ''white label'' products for the operators' own clients. In addition to service offers, SFR provides infrastructure offers (hosting, sheathing and fiber).

The table below shows the changes in the Wholesale and Other market:

	2013	2012	2011	% change in 2013 compared to 2012	% change in 2012 compared to 2011
			(in millions of €)		
Sales Wholesale and Other	1,536	1,442	1,333	6.5%	8.2%

We believe that the scope and the quality of SFR's networks, combined with its 15 years of experience in the market, make it a leading operator both for its solutions for fixed devices and for offers in the virtual mobile operator market. A wide range of offers has been designed to meet operator needs: voice and data transfer and collection, termination of calls in France and to other countries, fiber network, DSL access, IP and Ethernet services, bandwidth and hosting.

Fixed voice solutions

SFR meets national and international voice transfer needs through transit, collection and call termination offers. These solutions allow third-party operators in France or abroad to use SFR's network to connect to networks of other operators to which their client is not connected directly.

SFR also offers turnkey options to innovative local players (''switchless'' in particular) for pre-selection, fixed voice unbundling, reselling of subscriptions and value added services (08xx numbers) that allow them to be the sole points of contact for their client while managing its entire voice bill. SFR rounds out its proposal to these operators with VoIP offers (Voice over IP—telephone calls over the Internet) and Internet access that allow them to offer a comprehensive solution that meets the telecommunication needs of their corporate end clients.

Solutions for mobile operators

SFR provides solutions in the mobile virtual network operators (''MVNO'') market intended for operators who do not have a network and who want to market a mobile offer. SFR has offers for ''Full MVNOs'' (mobile voice, SMS and data collection), for ''Light MVNOs'' (end-to-end mobile services: national, international calls, roaming, etc.), and for MVNO integrators who supply turnkey solutions. SFR currently has 15 contracting MVNOs including three Full MVNOs (Virgin Mobile, NRJ Mobile and Mundio).

MVNOs and foreign operators: roaming

In its mobile network, SFR accommodates the customers of foreign operators in order to offer them continuity of voice and data service in France through roaming. The agreements that SFR has signed with the foreign mobile operators allow such operators to cover 275 destinations and to offer an equivalent service to their customers when they are in a foreign country.

Data, bandwidth, hosting and infrastructure solutions

To meet internet connectivity needs, SFR offers end-to-end internet access (residential and business customers). These solutions allow the operator to take advantage of the SFR network and support. SFR also offers IP transit/Peering options.

SFR responds to the connectivity needs of international operators when the international clients of these international operators want to connect their points of presence in France. It thus allows international operators to construct seamless offers integrating France in their proposal (International VPN IP).

Finally, SFR has computer equipment and telecommunications hosting capabilities that it markets, particularly to international players, in addition to its connectivity and data transfer services. Its infrastructures offer also includes the marketing of access to its sheaths or the availability of fiber.

Based on its deployment of local FTTH loops, SFR plans to develop its wholesale services based on its fiber infrastructure via the sale of IRU offers in less dense populated areas. In very densely populated areas, SFR is active as a building operator, deploying fiber vertically in buildings and allowing other operators to have access to this infrastructure.

Activities of Société réunionnaise du radiotéléphone (SRR)

Société réunionnaise du radiotéléphone, a subsidiary of SFR, operates on the Réunion Island and in Mayotte in the B2C and B2B markets. In mobile, this subsidiary holds a GSM license (second generation) and a UMTS license (third generation) and covers around 99% of the 2G population and 96% of the 3G population on La Réunion Island.

In the B2C market, SRR has fixed and mobile offers. The mobile offers include eight Carrées plans, five limited Carrés plans, and a prepaid card.

- The Carrées plans are available with or without commitment, and with or without a device. Their rates (with a 12-month commitment and device) range from €19 to €99, taxes included, per month, depending on the voice, SMS/MMS and data package.
- SFR also offers four capped Carrés plans, also available with or without commitment and with or without device, at rates ranging from €14.90 to €35, taxes included, and a limited plan primarily intended for youths.
- The no-commitment Carré La Carte prepaid card is available for the price of €15.
- Finally, SFR has remote access offers: the Carré tablet and key and SFR La Carte Internet.
- The fixed offers intended for the B2C market include a triple play offer at the rate of €49.90, taxes included, per month, as well as an offer that includes a telephone subscription and Internet access for €24.90, taxes included, per month (with calls to landlines in metropolitan France and La Réunion Island billed at €0.09 per minute).

In the B2B Market, SRR markets voice offers: the Carrées plans, ranging from €20 to €120, excluding tax, per month (with mobile and commitment), the Evidence meter for fleets of devices of twenty or more lines and the Unlimited Business offers. SRR also offers data options, which include MtoM solutions as well as Carrées plans for tablets and USB 3G keys. Seven of its boutiques (''SRR Spaces'') also have specific facilities dedicated to businesses.

Furthermore, via the Internet site redbysfr.re, SRR offers no-frills offers through a customizable plan and a 1 Gb all-inclusive plan. It also hosts the MVNO NRJ Mobile, which proposes a limited account or a prepaid card primarily for youths.

In Mayotte, SRR also covers the B2C and B2B markets. In mobile, it covers more than 99% of the territory (more than 95% of the population) for 2G service, and more than 72% of the territory (more than 87% of the population) for 3G+ service. In the Consumer market, under the SFR Mayotte brand, SRR has mobile (Yangou limited or unlimited plans, limited 976 Mobile plan, prepaid Yangou La Carte cards and 976 Mobile cards, 3G+ Internet key) and fixed offers (Neufbox offers including a triple play offer). In the B2B market, SRR offers voice (Yangou Pro) and data solutions (3G+ mobile Internet, MtoM Internet) under the same brand as the one used in the Consumer market.

Activities of SFR Collectivités

SFR Collectivités, a subsidiary dedicated to local authorities, was created to support and assist the deployment strategy of the networks and services of SFR in connection with the needs of the local authorities. Beyond the relationship of cooperation between SFR and these local authorities, SFR Collectivités also manages major long-term partnerships such as the Public Initiative Networks. These physical networks built by the territorial entities with the participation of the private sector are for the most part managed as Public Service Delegations (''DSP''). SFR Collectivités handles the deployment of fixed and mobile infrastructure networks in order to expand the attractiveness and the coverage of the territories and can support and assist communities from design through operation of these telecommunication networks. As of the date of this Offering Memorandum, SFR is the leading operator in the field of public initiative networks, with a market share of over 50% (source: AVICCA 2012).

SFR Network

Through its network, SFR's objective is to provide a quality high-speed and very high speed experience to all of its individual, professional or business clients for both fixed and mobile services, whatever the device used.

To this end, SFR has invested in its own network infrastructures in order to be able to develop quality innovative and convergent services, while at the same time controlling its costs. We believe that this progressive deployment has made it possible to set up one of the most complete, extensive and advanced infrastructures among the operators in France. These networks make it possible to route fixed and mobile voice and data traffic over the entire French territory, but are also interconnected to the networks of the rest of the world through interconnection agreements or via forwarders.

SFR intends to continue to invest in cutting-edge technologies that make it possible to anticipate market developments and cover future needs in terms of traffic.

This strategy can be seen in mobile, particularly via the deployment of 4G, and also in fixed services through the development of very high speed fiber networks, in particular. In order to continue to control its costs while improving the coverage and the quality of its networks, SFR relies on network sharing partnerships signed for very high speed fixed networks (particularly with the Incumbent) and more recently for mobile networks (with Bouygues Telecom).

General presentation of SFR network

To offer its customers the best experience and high quality, SFR has developed its own long-distance network making it possible to route all of its fixed and mobile traffic. This network is based on a modern backbone infrastructure and best-in-class mobile and fixed access network and was made possible by SFR's investment in the deployment and maintenance of its networks over many years.

SFR owns one of the three major backbones in France (alongside Orange and Numericable-Completel). This backbone includes a long-distance network of nearly 50,000 km of fiber, making it possible to connect more than 160 metropolitan loops in France. It is accompanied by a dense network of more than one hundred datacenters distributed over the entire territory.

Regarding its mobile access network, SFR has close to 18,500 radio sites each consisting of broadcasting/receiving equipment (base station), transmission equipment and environment infrastructures (e.g.: pylons, service rooms, power supply units, antennas) These radio sites are connected to the fiber backbone via radio relay systems, through links leased to Orange or through links owned by SFR.

To operate in this mobile network, SFR has made considerable investments in purchasing mobile frequencies during the various auctions organized by the regulatory authorities in the past. As a result, SFR has a comprehensive catalogue of frequencies (2G/3G/4G) and a sufficient spectrum allocation to cover its current and anticipated needs.

Frequencies	800 MHz	900 MHz	1800 MHz	2.1 GHz	2.6 GHz
Allocation of SFR spectrum (MHz)	2x10	2x10	(a) : 2x23.8 (b) : 2x20	(a) : 2x19.8 + 5 (b) : 2x5	2x15
Expiration dates	17/01/2032	31/01/2021	(a) : 25/05/2016 (b) : 25/03/2021	(a) : 21/08/2021 (b) : 08/06/2030	11/10/2031
Current technologies[(a)]	4G (LTE)	2G (GSM), 3G (UMTS)	2G (GSM)	3G (UMTS)	4G (LTE)

(a) After the 1800 MHz refarming

On its fixed access network, SFR relies on the largest unbundled DSL network among the alternative operators (around 6,200 Subscriber Access Nodes ''NRA'' unbundled at the end of 2013). This unbundled network allows it to establish an Internet access provider business using the copper local loop connections of the incumbent.

Since 2007, SFR has also deployed its own subscriber access nodes through fiber (Fiber to the Home— FTTH), which allows the supply of speeds up to 1 Gbps. This deployment relies on a 200 Optical

Connection Nodes (''NRO'') network. SFR is also developing final links in order to offer its individual and business clients fiber links (from the shared access point to the building), allowing it to free itself from the cooper local loop of Orange.

Mobile coverage

Through a significant roll-out of its radio sites involving the different 2G and 3G technologies, SFR estimates that it now covers all of the mobile connectivity needs of metropolitan areas of France. At the end of 2013, the GSM / GPRS (2G) network of SFR covered more than 99.7% of the French population. In order to support the new mobile Internet uses (3G data traffic up 40% between 2012 and 2013 in SFR's network), SFR also continues to expand the coverage and the capacity of its 3G network. SFR estimates that it has the most extensive coverage for the UMTS / HSPA (3G / 3G+) technologies covering more than 99% of the population at the end of 2013. Similarly, the SFR 4G network covers more than 40% of the population of metropolitan areas of France with a presence in 1,200 cities.

In order to ensure the very high speed coverage, SFR continues to expand the Dual Carrier technology (DC-HSDPA+ network, latest evolution of 3G), thus covering more than 70% of the population and making it possible to double download speeds up to 42 Mbps.

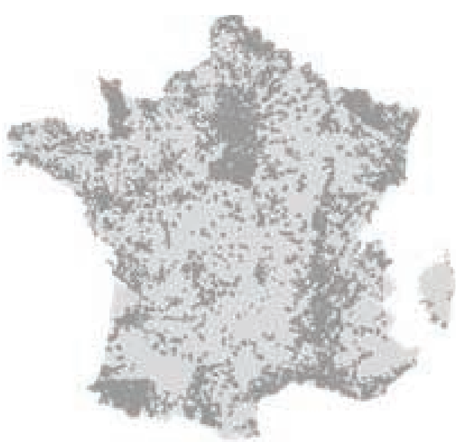
Demonstrating its commitment to adopt to new usage and improve the experience of its users, SFR consistently looks to expand the possibilities offered by its network infrastructure and its choice of technologies. In 2013 it was the first operator to have deployed 4G service on Line A of the Paris RER, due to its partnership with the RATP. SFR also plans to extend it to other Paris metro and RER lines.

Fixed Coverage

At the end of 2013, the fixed network of SFR connected approximately 6,200 Subscriber Access Nodes (''NRA'') and covered more than 23 million households eligible to unbundling by SFR for its IP voice, Internet or TV services based on the eligibility of the lines for these services (source: Ariase). This constitutes the first unbundled network in France among the alternative operators, with close to 86% of the population covered on this date. Furthermore, SFR has constructed 11,600 km of optical network to connect its 200 Optical Connection Nodes (''NRO'') thus making around 1.5 million households in Metropolitan France eligible for fiber at the end of 2013.

SFR's fixed very high speed coverage is reinforced by a WiFi network providing additional coverage to digital customers with 4 million hotspots transmitted by the boxes of fixed service clients in France as well as the 9 million hotspots in 100 countries abroad due to an agreement with the international operator Fon. The SFR hotspots system is a community system that allows SFR clients to connect wirelessly to WiFi devices due to access to WiFi networks independent of the individual networks, emitted by the devices of SFR clients.

DSL Coverage



Fiber Network in 2013

Mobile and fixed network performance meets users' principal needs

SFR has designed, developed and deployed its network to respond to its users' needs, both concerning mobile and fixed telecommunications.

For the mobile network, where quality and failure rates are particularly important for the client experience and satisfaction, SFR has focused on its capacity to deploy a network allowing sufficient speeds to address the usage specific to each of its users. For example, it has been the main mobile operator in France to rely on its ''golden frequencies'' (800 MHz) to optimize the coverage and the quality of its network while at the same time relying on its high frequencies to provide speeds high enough to absorb the demand for voice and data traffic. These different choices allowed SFR to have the second most reliable mobile network in 2012 alongside Orange in terms of failure rates for smartphones (source: most recent ARCEP study) or to have the lowest latency times on its 4G network at the end of 2013 (source: DegroupTest, fourth quarter 2013).

For the fixed network, connectivity and equipment reliability (particularly the box) are key for user satisfaction over the long-term. SFR therefore intends to offer high performance for all fixed services (Internet, telephone and TV). Thus, SFR's DSL network benefits in particular from the lower ADSL failure rates after 30 days (source: ARCEP, third quarter 2013 study).

Mobile Network

SFR's mobile access network consists of close to 18,500 radio sites equipped with one or more items of transmitting/receiving equipment (base station) each dedicated to a single technology (2G or 3G) or latest generation ''Single-RAN'' equipment allowing the management of 2G, 3G and 4G technologies through a single and same item of equipment.

SFR takes advantage of its deployment of the 4G technology to routinely replace its old antennas with Single-RAN technology, thus allowing SFR clients to benefit from a quality, ultra-fast network while making the most of the technical and financial advantages of this technology.

Single-RAN technology offers a certain number of technical advantages. First, it benefits from enhanced performance (quality of 4G or 3G coverage, increased 3G capacity) due to its ability to use optimal (3G/4G) technologies and frequencies (900MHz in particular). The effectiveness and the reliability of connectivity are also optimized, due to the use of a single transmission technology (compared to the use of several technologies on alternating equipment called ''Overlay''). Finally, it facilitates technological developments (introduction of 3G 900 or 4G 1,800, for example) due to a simple software development, without any intervention on the physical components. It also has the prerequisites for evolving toward the LTE-Advanced technologies that are expected to follow 4G in the future.

The use of the Single-RAN technology also makes it possible to generate a certain number of economic benefits due in particular to the reduction of the number of items of equipment. Thus, the reduction of maintenance operations allow operating cost savings, while the facilitation of technological developments and the reduction of the number of sites required make it possible to reduce capital expenditures in the medium term.

Finally, this technology improves client experience due to better network fluidity (because of better coverage and availability) and increased capabilities over all frequencies covered by this technology (2G/3G/4G). This additional performance is also strengthened by SFR's intention to develop fiber links (''backhaul link'').

In 2012, SFR was the first operator to offer 4G to B2C and B2B customers following the acquisition in 2011 of 800 MHz frequencies, called ''golden frequencies'', with an objective to meet clients' coverage expectations. These frequencies offer better transmission properties (particularly inside buildings) than the higher frequencies like 1,800 MHz and 2,600 MHz, and also require fewer antennas to cover the same area.

For these 800 MHz frequencies, on January 1, 2014, SFR had 1,039 authorized antennas, compared to 1,678 for the Incumbent, and 473 for Bouygues Telecom (source: ANFR). Free was not granted any golden frequencies (800 Mhz) during the last auction held by the regulatory authority in 2011.

This focus on ''golden frequencies'' allowed SFR to accelerate its geographic coverage for 4G technology, while at the same time meeting the current capacity needs. During a second phase, SFR will focus on progressive investments in capacity in order to meet the needs of its clients. This increase in capacity will be facilitated by Single-RAN technology, which allows the interchangeability of frequencies, and by the activation of so-called ''high'' frequencies (1,800 MHz and 2,600 MHz), which will allow SFR to offer download speeds of up to 115 Mbps. The Group is also already deploying ''golden frequencies'' in certain densely populated areas. At the end of 2013, SFR had 1,032 4G authorized antennas on the 2,600 MHz band (source: ANFR).

Fixed network

SFR benefits from good historical coverage for DSL technology and plans to develop very high speed (speeds greater than 30 Mbps) in order to respond to the gradual growth in usage. Current ADSL technology will not be able to cover the future needs in terms of capacity (defined by both the speeds necessary for use and the increase in the number of devices in homes).

To do this, SFR chose to develop and deploy fiber technology, making it possible to address these needs due to superior performance, particularly in terms of bandwidth.

Fiber technology benefits from a longer service life than other new generation technologies, and has significant development potential (for example, since 2012, SFR has been deploying equipment capable of evolving toward the XGPON technology, which will make it possible to offer speeds up to 10 Gbps, i.e., 10 times more than the GPON technology currently used). Furthermore, the symmetry of the upload and download streams of fiber, combined with the enhanced performance in terms of speed allow the development of advanced applications like telemedicine. Finally, it is not technically limited by the distances to the connection nodes, contrary to other technologies like VDSL where the actual speed decreases as the distance increases.

In order to respond even faster to users' growing needs, SFR has set out a pragmatic strategy that is intended to allow it to accelerate the deployment of ultra-fast offers.

First, SFR intends to focus on the deployment of the fiber technology in very dense areas in order to maximize the coverage of the French territory, as part of the agreement signed with Bouygues Telecom; the less dense areas being addressed via the deployment agreement signed with the Incumbent. In the B2B market, the deployment of fiber access networks will also focus on high potential areas, thus making it possible to share client connections and reduce connection costs. This optimization will be facilitated by the systematic use of a geomarketing approach.

Simultaneously with the deployment of fiber, SFR also intends to develop alternative technologies selectively. For example, it estimates that deployment of the VDSL technology (lower deployment costs compared to fiber) may allow it to accelerate its high-speed coverage and it therefore intends to offer it to households that can take advantage of the full potential of this technology (>30Mpbs). In this regard, SFR enriched its ''box'' offer with the VDSL option in 2013. The number of eligible households will, however, be limited by the operational constraints (distance to the connection nodes) and represents only approximately 20% of all households in terms of full potential.

In order to optimize the quality and the coverage of its networks and with an aim toward optimal allocation of its investments, SFR has been one of the most active operators in developing partnerships dedicated to network sharing, both for mobile infrastructures and fixed infrastructures.

Mobile network sharing agreement

On January 31, 2014, SFR and Bouygues Telecom entered into an agreement to share part of their mobile networks. This agreement aims to enable both operators to offer their respective customers better geographical coverage and better quality service, while optimizing the costs and investments undertaken in connection therewith.

SFR and Bouygues Telecom will roll out a new shared network in an area corresponding to 57% of the population (i.e. all of France excluding the 32 largest towns with more than 200,000 inhabitants and zones blanches (blank signal reception areas)).

Two principles underpin the agreement:

- firstly, the creation of an ad hoc joint company, which manages shared radio site assets, namely passive infrastructure and geographical locations in which the infrastructure and telecoms equipment are deployed. SFR and Bouygues Telecom will retain full ownership of their telecoms equipment assets and their frequencies;
- secondly, the provision of RAN-sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN-sharing service.

SFR and Bouygues Telecom retain autonomous innovation capabilities, remain independent both commercially and with regard to pricing, and continue to offer differentiated services by managing their own network core and frequencies.

The provisions under this agreement are likely to benefit SFR's customers in numerous ways, in particular in relation to network coverage which will be extended through the optimisation of the deployment of antennas and to the reduction of dead spots. Moreover, the quality of its network is also likely to be strengthened through the systematic use of 800 MHz frequencies benefiting from better coverage outside and inside buildings.

SFR will retain complete control of its commercial strategy (in terms of both pricing strategy, content and innovation) and direct management of approximately 75% of its new national network (sites in densely populated areas and pooled sites operated by SFR under the sharing agreement) and also retains full ownership of its frequency spectrum.

Furthermore, this agreement should enable to generate significant savings in terms of deployment and operating costs, primarily due to the rationalisation of the number of sites.

Bouygues Telecom and SFR's agreement to share part of their mobile networks falls in line with a number of similar initiatives that have already been implemented in other European countries. The sharing agreement is expected to result in the completion of the target network by the end of 2017.

Fixed network sharing agreements

In 2010, SFR signed a co-investment agreement with Bouygues Telecom concerning the deployment of fiber optics in certain towns in very densely populated areas. This agreement provides for the pooling of the horizontal fiber optic networks between their points of presence and each building in the towns selected. It must allow both operators to accelerate and extend the deployment of their FTTH infrastructures to the benefit of their respective clients in the towns concerned, while at the same time reducing their deployment costs.

In 2011, SFR also signed a co-investment agreement with the Incumbent for the deployment of fiber for the more sparsely populated areas of metropolitan France, involving 9.8 million households. This agreement provides that by the year 2020, the SFR Group will deploy FTTH in 2.3 million homes, and the Incumbent in 7.5 million homes. Each will become client of the other by signing IRUs in areas where it will not deploy fiber itself. The other operators will have access to these infrastructures through Wholesale market agreements.

Suppliers

SFR has implemented a multi-sourcing procurement policy for some technologies and continually monitors the role of suppliers in the chain.

The breakdown of the main suppliers by major categories is as follows:

- five main suppliers for mobile handsets;
- five main suppliers for telecommunications equipment;
- six main suppliers for the deployment and maintenance of this equipment;
- nine main suppliers for information technology systems; and
- five main suppliers for call centers.

As far as mobile handsets are concerned, SFR works with the major brands on the market, as well as with original design manufacturers (ODMs) for which SFR uses its own brand. It is very important for SFR to have access to all leading brands on the market for its supply needs.

In the case of telecommunications equipment, SFR has a dual sourcing policy with leading companies in these sectors for the main SFR network equipment, and especially for radio equipment. As a result, we believe that there is no critical dependence on a single supplier. As far as the core network is concerned, SFR has a single source policy for certain types of equipment for reasons of simplicity and due to the lower investment involved. The companies concerned are leaders in their respective sectors.

As far as information technology systems are concerned, SFR uses both solutions recognized on the market (Oracle, SAP), as well as more specific solutions for which specific provisions are provided contractually to protect access to the source code. We believe that there is no critical dependence in this regard. Furthermore, the partnership entered into with Vodafone covers the procurement area and is active in terms of mobile handsets.

SFR has developed and maintains relations with different suppliers that contribute to innovation, quality of service and operational excellence. The procurement process consists of five stages which describe the whole life cycle of the relationship between SFR and its suppliers.

Supplier selection is one of the most important stages for the deployment and maintenance of the network, as well as for SFR's offerings (handsets, etc.). It is based on objective criteria including the quality of products and services, delivery times and conditions, as well as their cost in the sense of total cost of ownership.

This assessment also takes into account commitments concerning:

- the observance of the applicable laws and regulations;
- the observance of the rules of confidentiality and fairness; and
- the existence and application of a SER (Social and Environmental Responsibility) policy suitable to the nature of the products and services provided.

These criteria are expressly mentioned in the contracts governing SFR's relations with its suppliers.

SFR aims to have a lasting and balanced relationship with its main suppliers. This effort involves monitoring performance, sharing and monitoring objectives, as well as exchanging information on market and technological trends.

For many years, SFR has implemented a procurement policy that takes into account the principles of social and environmental responsibility in its relations with its suppliers in order to better control risks.

The main principles are the following:

- give preference to suppliers who meet these challenges;
- take these criteria into account in supplier evaluations;
- promote and ensure observance of the code of commitment and ethics issued by SFR.

For the past two years, all purchasing contracts entered into include a clause on ''observance of laws and regulations—Corporate Responsibility.'' SFR engages a specialized company to evaluate its main suppliers regularly. This evaluation is performed on a documentary basis and is subjected to a concerted procedure with the French Telecommunications Federation. As of 31 December 31, 2013, 146 suppliers had been evaluated.

Recourse to companies in the designated disability sector (equipment recycling, telephone contacts, etc.) is part of the procurement policy and is subject to regular monitoring. In 2013, SFR had more than €3 million in business with companies in the designated disability sector.

Material Contracts

The material contracts to which SFR is a party are set out below.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR's position was recently enhanced by the signing of an exclusive partnership agreement with the Vodafone Sales and Services Limited (''Vodafone'') effective on April 1, 2014, which will allow SFR to continue to benefit from commercial, economic, technological and information sharing advantages according to the same terms and conditions as the local operators controlled by Vodafone. This agreement may be terminated by Vodafone with 60-day prior notice if (i) there is a change of control of SFR as result of SFR having been acquired by a direct competitor of Vodafone or (ii) SFR acquires a share in a mobile telephony operator in a country where Vodafone is also active.

Mobile network sharing agreement between Bouygues Telecom and SFR

For a description of this contract, see ''—*SFR Network—General presentation of SFR Network—Mobile network sharing agreement*''.

Mobile device supply contract

SFR has entered into different supplier contracts through which it is supplied with mobile devices and accessories. SFR also considers itself commercially dependent on one supplier of mobile devices, whose well-known products are not substitutable in the eyes of customers.

Legal Proceedings

Free against SFR

On May 21, 2012, Free filed a complaint against SFR with the Paris Commercial Court. Free is challenging SFR's model of subsidizing mobile phone purchases through what Free calls ''concealed'' consumer loans and claims this constitutes an unfair and deceptive trade practice. On January 15, 2013, the Court dismissed Free's claims and ordered it to pay to SFR €300,000 in damages for defamation and €100,000 for costs. Free appealed this decision.

Orange against SFR

On August 10, 2011, Orange filed a claim against SFR before the Paris Commercial Court. Orange asked the Court to compel SFR to stop the overflow traffic at the point of interconnection of their respective networks. On December 10, 2013, SFR was ordered to pay €22,133,512 to Orange. On January 10, 2014, SFR appealed this decision.

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. This case is under investigation.

SFR against Orange

On April 24, 2012, SFR filed a complaint against Orange before the Paris Commercial Court for practices constituting an abuse of its dominant position in the secondary residence market. On February 12, 2014, the Paris Commercial Court ordered Orange to pay €51 million in damages.

Complaint lodged with the French Competition Authority by Orange Réunion, Orange Mayotte, and Outremer Télécom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged unfair price discrimination practices implemented by SRR. On September 16, 2009, the French Competition Authority imposed protective measures on SRR, pending its decision on the merits.

SRR was required to end price differences that exceed the costs borne by SRR based on the network called (off-net/on-net). The French Competition Authority found that SRR had not fully complied with the order it had imposed and, on January 24, 2012, ordered SRR to pay a fine of €2 million. With regard to the proceedings on the merits, on July 31, 2013, SRR signed a statement of no contest to grievances and a letter of commitments. Accordingly, the Deputy Reporter General will propose to the College of the French Competition Authority that the fine incurred by SRR be reduced.

Following the French Competition Authority's decision of September 16, 2009, Outremer Télécom sued SRR on June 17, 2013, before the Paris Commercial Court for damages it claims to have suffered as a result of SRR's practices. On November 13, 2013, the Court stayed the proceedings until the French Competition Authority issues its decision on the merits of the case.

Complaint of Bouygues Telecom against SFR and Orange in connection with 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 in the call termination and mobile markets (''price scissoring''). On May 15, 2009, the French Competition Authority (the ''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 Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Authority fined SFR approximately €66 million. SFR has appealed this decision. The case will be argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the French Competition Authority on 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 the amount, which Vivendi believes cannot, in any case, exceed €250 million in total, of these claims. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and SFR has been suspended.

UFC against SFR

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint against SFR before the Paris Court of First Instance (*Tribunal de Grande Instance de Paris*). It alleges that the general conditions of use of SFR's *La Carte* offering contain abusive clauses, which it is seeking to have removed.

CLCV against SFR and others

On January 7, 2013, the French consumer protection association, CLCV (consumption, housing and quality of life) sued several French telecom operators, including SFR, before the Paris Tribunal of First Instance. It is seeking the removal of certain clauses that it considers abusive from subscription contracts.

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 the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils de 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 the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Court of Appeal of Toulouse sanctioned the SFR and Teleperformance groups in half of the cases while the courts of Poitiers and Lyon rendered judgments which were favorable to SFR. The cases are at different stages of the appeal process.

Disputes with independent distributors

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 dependence and/or requests for reclassification of a distributor as a 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. The French Court of Cassation rendered three judgments against SFR on the status of branch managers but the various Courts of Appeal have decided in favor of SFR. On the issue of abrupt termination of contractual relationships and the request for reclassification of employees of the distributor as employees of SFR, apart from a few rare exceptions the various courts have ruled in favor of SFR.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE NUMERICABLE GROUP

The following discussion of the Numericable Group's financial condition and results of operations should be read together with the Numericable Group's audited annual consolidated financial statements for the years ended December 31, 2013 and audited annual combined financial statements for the years ended 2011and 2012. 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 ''Numericable Group'', ''we'', ''us'' and ''our'' refers only to Numericable Group and its subsidiaries (but excluding SFR). For discussion of the financial condition and results of operations of SFR please see ''Business and Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR''.

Overview

Introduction

Numericable Group is the sole major cable operator in France. It was created through the combination of several cable and B2B telecommunications operators and operates using a highly capillary network infrastructure to serve three telecommunication market segments in France:

- the B2C segment, which includes retail products and services under the Numericable brand and fiber white label offerings. The B2C segment makes up the largest part of the Numericable Group's revenues, contributing €864.6 million in revenues for the year ended December 31, 2013 and €826.2 million in revenues for the year ended December 31, 2012 (or 65.8% and 63.4% of the respective Numericable Group totals).
- the B2B segment, which includes services offered to SMEs, large businesses and government entities. The B2B segment is the second largest contributor to Numericable Group revenues, contributing €309.6 million in revenues for the year ended December 31, 2013 and €323.2 million in revenues for the year ended December 31, 2012 (or 23.5% and 24.8% of the respective Numericable Group totals).
- the wholesale segment, which includes voice, data, infrastructure and DSL white label services for telecommunications operators and Internet access providers. The wholesale segment is the third largest contributor to Numericable Group revenues, contributing €140.0 million in revenues for the year ended December 31, 2013 and €153 million in revenues for the year ended December 31, 2012 (or 10.7% and 11.8% of the respective Numericable Group totals).

The following table provides a breakdown of segment revenues (before elimination of inter-segment sales) for the years ended December 31, 2011, 2012 and 2013. This table follows the breakdown found in Note 5 to the consolidated annual financial statements where eliminations of inter-segment sales are not allocated by segment. The Numericable Group analyzes segment revenues in this Section based on this breakdown, pursuant to which sales and related costs are within the same segment.

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
Revenue			
B2C	835.3	832.6	869.4
B2B	331.1	324.5	312.6
Wholesale	201.1	211.5	200.8
Inter-segment eliminations	(60.6)	(66.1)	(68.6)
Total	**1,306.9**	**1,302.4**	**1,314.2**

In order to reconcile this contribution with each segment's contribution to the Numericable Group consolidated revenue for the year ended December 31, 2013 and the combined revenue for the years ended December 31, 2011 and 2012, the following table allocates inter-segment sales eliminations by segment revenue for the relevant periods:

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
Revenue			
B2C	(5.0)	(6.4)	(4.9)
B2B	(2.9)	(1.3)	(3.0)
Wholesale	(52.8)	(58.4)	(60.8)
Total inter-segment eliminations	**(60.6)**	**(66.1)**	**(68.6)**

The Numericable Group's service and product offerings are supported by an integrated network and are adapted to the characteristics and requirements of each market segment:

- In the B2C segment, the Numericable Group offers television, very-high-speed broadband Internet and fixed-line and mobile telephony services on both a bundled and stand-alone basis, and in both branded and white label form (through its fiber/cable network). The Numericable Group also offers analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers.
- In the B2B segment, the Numericable Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, as well as voice services, including voice calls, VoIP and Centrex.
- In the wholesale segment, the Numericable Group offers voice and data wholesale carrier services, as well as DSL white label products. Within this segment, the Numericable Group also sells fiber network infrastructure-based wholesale services to other telecommunication operators and to the B2B segment as well.

As of December 31, 2013, the Numericable Group served approximately 1.3 million direct individual subscribers, approximately 1.78 million bulk customers, and approximately 363,000 white label end-users and had approximately 600 large B2B clients, including large corporations such as Auchan, EDF, Caisse des Dépôts et Consignations and public entities such as the French Ministry of the Interior and the Paris municipality, as well as approximately 12,000 medium-sized businesses.

For the year ended December 31, 2013, the Numericable Group's consolidated revenues were €1,314.2 million and EBITDA was €560.1 million.

Presentation of the Consolidated Annual Financial Statements Included in this offering memorandum

The Numericable Group was formed on August 2, 2013. On November 7, 2013, in the context of the listing of the Numericable's shares on Euronext Paris, two Luxembourg holdings companies, Ypso Holding S.à r.l, parent company of Ypso France, and Altice Lux Holding S.à r.l, parent company of Altice B2B France, were contributed to the Issuer. Prior to the contribution, the Ypso France led the commercial activities of Numericable, being a provider of cable television services through high-end digital channel packages accessible to households with ''triple-play'' cable network connections and also provided broadband Internet access to the French residential market as well as fixed and mobile telephony services. Altice B2B France, through its main operational entity Completel S.A.S., managed the largest alternative fiber-to-the-office (''FTTO'') network in France and is the third largest alternative digital subscriber line (''DSL'') network in France. By directly connecting its business customers' sites to fiber and DSL networks, Completel S.A.S. provided the commercial market with a complete range of services that includes data transfer and very high speed Internet and telecommunications services, as well as convergence and mobility services.

This offering memorandum includes the Numericable Group's consolidated financial statements for the year ended December 31, 2013 and combined financial statements for the year ended December 31, 2012. These financial statements were prepared in accordance with International Financial Reporting Standards and adopted in the European Union.

The comparative data presented for the year ended December 31, 2012 corresponds to the combined financial statements of the two sub-groups, Ypso and Altice B2B. Prior to their contribution to Numericable Group on November 7, 2013, these two sub-groups were separate entities under the joint control of the private investment funds Carlyle, Cinven and Altice. As a result, the financial information included for purposes of comparison reflect the historical assets, liabilities, income, expenses and cash flow of the Ypso and Altice B2B sub-groups, which were two separate groups as of December 31, 2012, 2011 and 2010.

Critical Accounting Policies

For a description of the Numericable Group's significant accounting policies and critical accounting estimates, see Notes 2 and 3 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 an English language translation of which is included elsewhere in this offering memorandum.

Significant Factors Affecting Results of Operations

The Numericable Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. In addition to the regulatory and macroeconomic environment, the key factors affecting the ordinary course of the Numericable Group's business and its results of operations include (i) the attractiveness of the Numericable Group's products and services, including relative to the Numericable Group's competitors, (ii) changes in pricing, (iii) customer acquisition and churn, (iv) the Numericable Group's cost structure and cost optimization programs and (v) network upgrades and maintenance. Each of these factors is discussed in more detail below.

The Attractiveness of the Numericable Group's Products and Services

B2C Segment Products and Services

The Numericable Group offers subscribers within its network area television, very-high-speed broadband Internet, fixed-line and mobile telephony services, as an MNVO. The Numericable Group also provides analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers. The B2C segment also includes the Numericable Group's white label business with Bouygues Télécom using the Numericable Group's fiber/cable network. These products compete with those of the Numericable Group's competitors. See ''*Risk Factors—Risks Relating to the Group's Industry and Markets—The Group operates in a competitive industry, and competitive pressures could have a material adverse effect on its business*''.

The Numericable Group's new B2C customers commit for a period of twelve months. A security deposit (of €75) is required only for subscriptions to packages that include LaBox.

The Numericable Group frequently upgrades its product offerings and service quality, in particular by increasing broadband Internet speeds and expanding its digital television offering and the range of interactive services offered, in order to stay competitive in a highly competitive environment, retain existing customers and attract new customers and increase ARPU (see below). Promotional offers may also include a price reduction (thereby reducing ARPU and related revenue) in a given period.

The Numericable Group's most recent efforts have focused on its triple- and quadruple-play services offered to individual subscribers. The Numericable Group's triple- and quadruple-play offers combine several services into packages, thus enabling subscribers to conveniently order television, broadband Internet and fixed telephony services together and, if desired, mobile telephony services. The Numericable Group believes that its introduction of triple- and quadruple-play packages has been a key factor in its success in attracting new subscribers and retaining existing subscribers. The Numericable Group's progressive upgrading of its network to EuroDocsis 3.0 technology also enables it to offer customers top of market broadband speeds and access services. The Numericable Group also recently introduced a package that includes a tablet or smartphone for €1 extra per month.

In May 2012, the Numericable Group began marketing ''LaBox,'' an integrated set-top box and cable router that it offers to triple-play and quadruple-play customers who subscribe to the Numericable Group's premium packages. Marketing increased significantly in September 2012. The Numericable Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market, taking advantage of the portion of the Numericable Group's network that has been upgraded to

EuroDocsis 3.0 technology. LaBox has generated increasing ARPU for the Numericable Group as the proportion of premium sales (which include LaBox) has increased and has allowed the Numericable Group to attract new customers to its network. Approximately 70% of new customer adds for the period from September 30, 2012 to December 31, 2013 were for the Numericable Group's high-end multi-play offerings, including LaBox. More than 300,000 LaBox units were deployed as of December 31, 2013, representing a penetration rate of 29% of the Numericable Group's multi-play customers.

B2B Segment Product Offerings

The Numericable Group provides business customers with a comprehensive service offering, which includes voice services, including voice calls, VoIP and Centrex, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. This service offering competes with those of the Numericable Group's competitors. See ''*Industry and Market Overview—B2B Market*''.

As described in ''Business—The Group's Business Lines—B2B Segment—Customers,'' contracts with B2B customers are generally entered into for an initial minimum period of one year (for voice services) and three years (for data services), but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years, following mandatory tender processes.

The Numericable Group's voice and data services offer a complete range of telecommunications services. Voice and data services offerings enable customers to centralize their telephony needs on their principal sites by centralizing all of their equipment and telephone calls and connecting the customer's central site to the Numericable Group's fiber optic network for better quality and to the Numericable Group's SDSL network for remote sites. The Numericable Group believes that such access to its network is a major competitive advantage that has allowed to it to both attract and retain a large customer base. As most of the Numericable Group's customers are located near the Numericable Group's fiber or DSL network, only limited additional investment is needed to connect customer sites.

The Numericable Group has adapted to the changing telecommunications environment by deploying a full range of cloud computing solutions, including external flexible telephony services, messaging and security solutions and hosting services (e.g., servers and platforms). The Numericable Group focuses in particular on providing ''infrastructure as a service,'' which provides customers with the benefits of infrastructure without having to invest in it.

The Numericable Group has made strategic acquisitions in order to bolster the competitiveness and attractiveness of its B2B product offering. For example, in 2010, the Numericable Group significantly enhanced its IP VPN offering by acquiring Altitude Télécom, a French specialist in IP VPN which had close relationships with the public sector, and thereby solidified the Numericable Group's public sector entity customer base. Combining ''infrastructure as a service'' with the Numericable Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging Completel's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Numericable Group has a packaged offering for medium-sized companies—Completude—which bundles fixed voice, data and additional services. Completel's premium package, Completude Max, offers broadband Internet at a speed of up to 100 Mbps through the Numericable Group's FTTB network for the same price as DSL access.

Wholesale

In the wholesale market, the Numericable Group provides wholesale voice and data carrier services and network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network. It provides these services directly or through its subsidiary Sequalum, under a public-private partnership. The segment also includes the Numericable Group's ADSL white label business, which currently consists of services for former Darty customers who have been transferred to Bouygues Télécom (see ''*Business—Material Contracts—White Label Contracts*''). The Numericable Group's wholesale business is an opportunistic one; the Numericable Group can use the network in which it has invested for its B2C and B2B businesses and generate higher margins and benefit from growth opportunities. The wholesale segment also benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicates that the Numericable Group can better serve it through a wholesale offering to another operator. This service offer competes with those of the Numericable Group's competitors. See ''*Industry and Market Overview—Wholesale Market*''.

Pricing

B2C Segment Pricing

Pricing in the French B2C market segment is primarily driven by the pricing of multi-play packages, to which the vast majority of customers subscribe. The cost of a multi-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions, the more options, content, and included usage time, the higher the price of the multi-play package in question. For example, the addition of a basic mobile telephony package is currently free for premium triple-play subscribers, while the addition of a premium mobile telephony package raises the subscription price. Subscription fees for stand-alone offerings are also sensitive to the number of options, the content and the included usage time, although pricing for these services tends to be less competitive as the majority of the market competes primarily on the multi-play arena.

The Numericable Group adjusts its pricing policies based on evolving market practices. In the past, the French triple-play market was structured around offers at €30 per month. Accordingly, the initial customer migration from the Numericable Group's ''TV-only'' offers generally priced at €40 per month to lower-priced triple-play packages negatively affected the Numericable Group's results of operations. Like other operators, the Numericable Group raised the price of its basic triple play package in January 2011. Similarly, in 2012, the Numericable Group made further changes to its pricing structure in response to changing market conditions. In particular, the Numericable Group began offering its basic triple-play package, ''Start,'' and its entry-level package, ''iStart,'' and also lowered the price of its stand-alone mobile telephony services. In the first quarter of 2014, the Numericable Group further modified its pricing structure and slightly raised the prices of its products. See ''*Risk Factors—Risk Relating to the Group's Industry and Markets—B2C Market—Triple-and quadruple-play*''.

The Numericable Group continues to offer television services on a stand-alone basis to existing subscribers. Where technically possible, the Numericable Group aims to offer these customers a triple-play offering.

The Numericable Group's bulk packages to building managers include a basic television services package and a basic triple-play package that includes a standard digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps and unlimited inbound fixed-line telephone calls. These packages are sold for a fixed subscription fee per apartment, irrespective of whether the services are actually used by the residents. The contracts have an average duration of five years. Most bulk contracts are for only basic television services. Pricing for bulk packages varies by building and by the content provided, with an average price of €3.00 per end-customer per month.

The Numericable Group believes that its current B2C pricing structure, together with the growth in the adoption of additional content-related services such as VOD, should drive growth in revenue and ARPU.

B2B Segment Pricing

Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive, as voice services are highly commoditized, with sophisticated customers and relatively short-term (one year) contracts. The B2B market for data services is less price sensitive, as data services require more customization. In both markets, price competition is strongest in the large corporates segment whereas customer-adapted solutions are an important competitive focus in the medium and smaller business segment.

Wholesale Segment Pricing

Prices for wholesale contracts are either regulated and based on a ''cost plus'' structure, with the interconnection cost set by the ARCEP or freely negotiated with the Numericable Group's wholesale customers, depending on the service. The Numericable Group's ability to offer competitive prices is a major factor in winning contracts.

Moreover, Sequalum charges fees for various services rendered to operators (see ''*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*''), such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network. It also sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of Hauts-de-Seine that is classified as a ''dense area'' are regulated by the ARCEP. Other fees charged by Sequalum are not regulated.

Churn

B2C Churn

The B2C television, broadband Internet and telephony industries typically exhibit relatively high churn rates as a result of high levels of competition. Churn rates result primarily from changes in the Numericable Group's or its competitors' pricing, the level of customer satisfaction and the relocation of subscribers outside of its network area. Increases in the churn rate may lead to increased costs and reduced revenues. The Numericable Group has implemented initiatives designed to improve its customers' experience. These initiatives include enhanced CRM systems, which enable the Numericable Group to manage new subscribers more efficiently and to identify and offer special retention packages to subscribers identified as at risk of churning.

The following table sets out the B2C segment's churn rates for direct customers (i.e., not including white label end-users or bulk subscribers) for the years ended December 31, 2011, 2012 and 2013. The B2C churn rate (i.e. the discontinuance of services to a customer either voluntarily or involuntary) used herein 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 Numericable Group) divided by the number of subscribers at the beginning of the period, excluding transfers between the Numericable Group's products.

	For the year ended December 31,		
Product	**2011**	**2012**	**2013**
Stand-alone digital television	16.4%	19.0%	18.9%
Analog television	20.1%	18.3%	19.2%
Triple-play	17.3%	17.2%	17.0%
Overall	**19.4%**	**18.6%**	**19.0%**

The overall B2C segment has had higher churn rates as compared to the triple-play market average; the Numericable Group believes this reflects in particular the loss of customers who move outside of the Numericable Group's fiber/cable network area, which connects only approximately 35% of homes in metropolitan France; the Numericable Group believes that this factor accounts for a churn rate of approximately 4%. In order to reduce this type of churn, the Numericable Group launched a new DSL triple-play offering in August 2013 in the non-fiber/cable part of its network.

The Numericable Group believes its improved CRM systems have contributed to a significant reduction in churn. The Numericable Group's analog television churn rate spiked in 2011, with the official transition to DTT broadcasting completed in November 2011. The Numericable Group expects high churn rates to continue in analog television until the service is ultimately phased out. See ''*Business of the Numericable Group—The Numericable Group's Business Lines—B2C Market—Analog Television Services*''. The increase in stand-alone digital television churn results from migration to triple-play packages, in line with market trends. For a definition of churn as it is used herein, see the Glossary included in this offering memorandum.

B2B Churn

The Numericable Group also tracks the churn rate of its B2B customers. The calculation of this rate differs from that of the B2C churn rate due to the nature of the Numericable Group's business, as the value of B2B customer contracts may vary greatly. The Numericable Group therefore calculates a churn rate based on the relative value of its B2B contracts in a month compared to the value of the same B2B contracts in the prior month, reflecting both the loss of customers and pricing readjustments.

The following table shows the trends of the B2B segment's churn rate in 2011, 2012 and 2013.

Product	For the year ended December 31, 2011	2012	2013
Churn rate	19.0%	25.8%	31.6%

B2B churn rates have been high with respect to voice services, primarily as a result of regulation imposing reduced termination rates, which reduced the Numericable Group's revenues from termination services and led to a decrease in the price of B2B voice services. In addition, given the overall market decline in voice prices, customers tend to be aggressive (such as by organizing successive requests for proposals and changing providers based largely on pricing terms, known as ''tariff churn'') in negotiating price reductions with respect to voice services. See ''*Regulation—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications—Market Analysis—Asymmetric Regulation*''. This phenomenon was particularly apparent in the churn rates for the year ended December 31, 2013, taking into account the significant decline in regulated call termination fees. B2B churn rates can also be affected by the loss of personnel, as occurred in the year ended December 31, 2012 in connection with the Numericable Group's relocation of segment engineers from Champs-sur-Marne to Rouen.

Cost Structure and Cost Optimization

The Numericable Group's most significant costs include content costs (including 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 Numericable 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. Costs related to the Numericable Group's fiber/cable network are allocated to the B2C segment, whereas costs related to the Numericable Group's backbone and DSL network are allocated to the B2B segment. No network-related costs are allocated to the wholesale segment. The Numericable Group's general and administrative costs are allocated pro rata based on the relative size of the segments.

Since 2010, the Numericable Group has initiated several cost-saving initiatives that have resulted in an improvement of its cost base, despite an increase in marketing over the period. Such initiatives include (i) the renegotiation of content contracts, (ii) the restructuring of the Numericable Group's sales force, and (iii) measures to reduce bad debt costs. The Numericable Group regularly reviews opportunities to decrease its costs and improve its profitability.

Network Upgrade and Maintenance

In 2011, 2012 and 2013, approximately 6% (€14 million), 12% (€33 million) and 15% (€48 million), respectively, of the Numericable Group's capital expenditures were related to its network, including upgrades, extensions and bandwidth capacity enhancements in relation to its existing network as well as capital expenditures related to DSP 92 (discussed below). The Numericable Group also incurred €91 million, €107 million and €120 million in network operation and maintenance expenses in 2011, 2012 and 2013, respectively.

The Numericable Group's ability to provide new HD and on-demand digital television services, broadband Internet access at ever higher speeds and telephony services to additional subscribers depends in part on the Numericable Group's ability to upgrade its network. During each of 2012 and 2013, the Numericable Group deployed fiber on a substantial part of its network and upgraded a portion of it to EuroDocsis 3.0 technology, making substantial capital expenditures in this respect.

The Numericable Group also upgrades and expands the reach of its network through public-private partnerships. The most significant current public-private partnership is implemented through the Numericable Group's subsidiary Sequalum, which carries out wholesale activities in the ''Hauts de Seine'' district that includes the ''La Défense'' business district. Sequalum was established in 2008 to plan, finance, market, deploy and operate an FTTH very-high-speed fiber network under a French law scheme known as délégation de service public (with this one known as the ''DSP 92''). Fiber deployment began in October 2009 and continues today; revenues are currently generated and are accounted for in the wholesale segment. Capital expenditures in connection with DSP 92 are included within the

Numericable Group's network capital expenditures. In July 2013, the Numericable Group received notification from the conseil général des Hauts-de-Seine of the approval of Phase II of this project, which is expected to continue until 2016. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Capital Expenditures*''. The Numericable Group expects to pursue similar public-private opportunities to expand its network in the future, which would result in increased capital expenditures.

Going Concern

The Numericable Group's consolidated annual financial statements have been prepared assuming that the Numericable Group will continue as a going concern. As discussed in Note 1.5 to the consolidated financial statements, the Numericable Group was formed by a series of acquisitions, mainly funded through borrowings. In addition, the construction and subsequent upgrading of the Numericable Group's network have required substantial investments. These two factors explain the structure of the Numericable Group's balance sheet the proportion of financial liabilities in relation to total equity, and the significant amount of amortization expenses and net finance costs.

As of the date of this offering memorandum, the Numericable Group services its debt and funds its investments through net cash from operations. Furthermore, as explained in Note 4.1.6, the Group refinanced its senior debt in 2013, rescheduling a large portion of its debt. Under the conditions described in Note 1.5 to the consolidated annual financial statements for the year ended December 31, 2013 included elsewhere in this offering memorandum, and given the updated cash flow projections, Numericable Group management and Board of Directors believes that the Numericable Group will be able to finance its cash requirements for the next twelve months from the date of approval of the consolidated annual financial statements and meet its financial debt obligations during the period. As a result, the Numericable Group's consolidated financial statements as of December 31, 2013 and the combined financial statements as of December 31, 2012, 2011 and 2010 have been prepared on a going concern basis.

Changes in Scope of Consolidation

The Numericable Group's results in the periods under review are affected by acquisitions and divestitures.

In the year ended December 31, 2013, the Numericable Group made various acquisitions:

- in March 2013, the Numericable Group acquired Auchan's television, very high speed Internet access and fixed telephony services business (thereby terminating a white label agreement with Auchan), which represented approximately 5,000 individual subscribers.
- in June 2013, the Numericable Group acquired the French simplified stock company (*société par actions simplifiée*) Valvision, a small regional cable operator in France, with approximately 5,000 individual subscribers and 8,000 bulk subscribers.
- in October 2013, through Altice B2B France, the Numericable Group acquired LTI Télécom SA, a telecommunications operator created in 1998 and present in the B2B market. It provides fixed and mobile telephony solutions and Internet access to small and medium-sized French businesses with 5 to 250 employees.

The Numericable Group did not carry out any significant divestitures in 2012 or 2013.

The Numericable Group made one significant divestiture during the period covered by the financial statements included elsewhere in this offering memorandum: on December 31, 2011, it sold its holdings in Coditel Belgium and Coditel Luxembourg to Coditel Holding S.A., a Luxembourg entity owned by Altice, Deficom and Apax MidMarket. The sale, which generated a gain of €118 million (from a gross sale price of €369 million), was in line with the Numericable Group's strategy to focus exclusively on the French market. In accordance with IFRS 5 ''Non-current Assets Held for Sale and Discontinued Operations'' (''IFRS 5''):

- the results of Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 statement of income in the line item ''Net income resulting from discontinued operations'' for all the periods presented;

- the cash flows from Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 cash flow statement in the line item ''Net cash flow from discontinued operations'' for all the periods presented.

Additional information regarding discontinued operations is provided in Note 30 to the Numericable Group's combined financial statements as of and for the years ended December 31 2012, 2011 and 2010, included elsewhere in this offering memorandum.

Key Performance Indicators

Homes Connected and Number of Individual Subscribers

The Numericable Group tracks the number of customers it can address and the number of digital, analog and bulk subscribers and white label end-users as performance indicators. The Numericable Group also tracks the number of stand-alone and multiple-play customers subscribed to its products. Such metrics allow the Numericable Group to analyze the success of its different offerings and packages of offerings, and adjust its offerings accordingly.

Footprint(1)	As of December 31		
	2011	2012	2013
	(in thousands)		
Homes passed(2)	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Digital individual subscribers	1,238	1,228	1,264
Multi-play(3)	938	972	1,041
Stand-alone television	267	223	193
Other(4)	34	34	31
Fiber white label end-users(5)	206	297	363
Total digital individual users	**1,444**	**1,525**	**1,628**
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
Bulk subscribers(6)	1,837	1,829	1,753
DSL white label end-users (Bouygues ex-Darty)	204	168	120

(1) Operating data related to the Numericable Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed ''passed'' if it can be connected to the distribution system without further extension of the network.

(3) Dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet)

(4) Stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

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

(6) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

The Numericable Group generates new subscribers through a broad range of sales channels, primarily through its own sales outlets, from other retail outlets, its website, inbound and outbound telesales and door-to-door sales. Sales through the Numericable Group's stores, retail sales points and door-to-door sales typically generate a higher ARPU than web-based sales and telesales, as they are more conducive to the promotion of premium offerings. The Numericable Group maintains a detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction. See ''*Business of the Group—The Group's Business Lines—B2C Market—B2C Segment Offers—Sales and Marketing*''.

The total number of customers and the mix between subscriptions to lower-range or premium products significantly affect the Numericable Group's revenues, ARPU and EBITDA.

RGUs

The Numericable Group uses RGUs, or "Revenue Generating Units," to track the level of subscription to its B2C services. Each individual subscriber receiving cable TV, broadband Internet, fixed or mobile telephony services over the Numericable Group's network counts as one RGU. Thus, one direct subscriber who receives all of the Numericable Group's services is counted as four RGUs.

RGU is not a measure of financial performance under IFRS, nor is RGU verified by a third party. RGU is derived from management estimates. As defined by the Numericable Group's management, RGU may not be comparable to similar terms used by other companies. See the Glossary included in this offering memorandum. The Numericable Group's RGUs only reflect Numericable brand subscribers and do not include white label end-users or bulk subscribers

The following table summarizes the Numericable Group's RGUs for the dates indicated:[1]

	As of December 31,		
	2011	2012	2013
	(in thousands except RGUs per individual user)		
TV Individual RGUs	1,216	1,163	1,140
Internet Individual RGUs	950	985	1,054
Fixed Telephony Individual RGUs	897	946	1,024
Mobile Telephony Individual RGUs	47	113	186
Total individual RGUs	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user	**2.27**	**2.41**	**2.53**

(1) Only Numericable direct individual subscribers (i.e., not including white label end-users or bulk subscribers).

ARPU

The Numericable Group uses the ARPU metric to track the performance of its B2C business. ARPU is not a measure of financial performance under IFRS, nor has ARPU been reviewed by an outside auditor, consultant or expert. ARPU is derived from internal management calculations and assumptions. The definition of the term used by the Numericable Group's management may not be comparable to similar terms used by other companies. See the Glossary included in this offering memorandum.

ARPU is a measure the Numericable Group uses to evaluate how effectively it is realizing potential revenues from its direct digital customers. Monthly ARPU is generally calculated on a yearly and quarterly basis by dividing the Numericable Group's total direct digital subscription-related revenue for the period, excluding installation, carriage, connection and disconnection fees, and deposits, by the average number of the Numericable Group's direct digital subscribers served in that period. Operational data related to gross-adds ARPU and customer-base ARPU presented in this offering memorandum reflect ARPU from the Numericable Group's direct digital subscribers only.

ARPU is highly sensitive to the pricing of the Numericable Group's packages. For example, the Numericable Group saw an increase in ARPU resulting from price adjustments in its triple-play packages and the launch of its quadruple-play packages in 2011, primarily as a result of price increases due to evolving market trends. See "*—Significant Factors Affecting Results of Operations—Pricing*". Recent ARPU increases result from (i) upgrades to the Numericable Group's B2C offers by adding new television channels, new content, new television applications, (ii) customer migration to premium packages, driven primarily by the availability of very high speeds (EuroDocsis 3.0 technology) and LaBox, as well as by price increases, and (iii) an increased mobile telephony penetration rate.

The table below shows the evolution of the Numericable Group's customer-base ARPU (calculated by dividing the Numericable Group's total direct digital subscription related revenue, including paid subscription fees and extra consumption on fixed and mobile telephony and TV options but excluding VOD revenues and installation and carriage fees, for the period by the average number of direct digital customers served in that period) and gross-adds ARPU (calculated based on the subscription revenue from new clients, plus the average value of consumption outside of subscription plans from existing clients, as calculated for the ARPU of the overall subscriber base) for the periods indicated. The operational data relating to gross-adds ARPU and customer-base ARPU presented below reflect ARPU from the Numericable Group's direct digital subscribers only.

	For the year ended December 31,		
	2011	2012	2013
ARPU per month—new digital individual subscribers (gross-adds)	€41.5	€41.7	€41.3
Monthly ARPU—digital individual subscribers (customer-base)(1)	€40.3	€40.7	€41.5

(1) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated.

Gross-adds ARPU decreased slightly by approximately 1.0% to €41.3 for the year ended December 31, 2013 compared to €41.7 for the year ended December 31, 2012, due to a high seasonality effect in the third quarter of 2013 and higher level of sales for the Numericable Group's web and telesales which generate lower gross-adds.

Incremental B2B Contract Monthly Adds

The Numericable Group is focused on growing its B2B business profitably and tracks trends in this segment with an indicator of incremental B2B contract revenue adds, a measure which displays the monthly recurring value of the order intakes in a given period. This indicator includes the incremental revenues of new contracts signed in a period. It is comparable to the product of gross-adds ARPU multiplied by the volume of new customers in the B2C segment.

The following table shows the level of incremental B2B contract revenue adds based on contracts signed in each of 2011, 2012, and 2013.

	For the year ended December 31,		
	2011	2012	2013
	(in € thousands)		
Order intake revenue	5,290.0	5,659.7	6,656.5

The discussion above should be read in connection with the discussion regarding B2B churn rates. See ''*—Churn—B2B Churn*''.

Subscriber Acquisition Costs

The Numericable Group is focused on growing its business profitably as it increasingly offers new digital products to its customer base. The Numericable Group's ability to profitably market its multi-play service offerings at competitive prices is tied to its end-to-end control of its cable network, its large customer base to which it can sell additional services, and the cost structure of the Numericable Group's business, all of which are key determinants of the payback profile of its incremental multi-play service customers.

The subscriber acquisition costs for B2C fiber/cable products consist of costs for customer premise equipment (set-top boxes), when applicable, in-house and on-site wiring and installation, and the costs per order including marketing, sales, general and administrative and all other costs. Due to the Numericable Group's own extensive local loop network, it is not obligated (unlike other alternative operators) to make payments to Orange to gain access to its last mile network and therefore has a structural cost advantage. Certain acquisition costs (in particular equipment) are capitalized.

The Numericable Group does not follow subscriber acquisition costs for B2B or wholesale customers, but evaluates its return on investment, considering capital expenditures (equipment, installation and wiring at customer sites as well as the creation of fiber links to customer sites) and operating expenditures (mainly commissions paid to its direct and indirect sales force).

Key Income Statement Items

Below is a summary description of certain Numericable Group income statement line items and other metrics used by the Numericable Group.

Revenue

Revenue is generally a function of (i) volume, which depends on the number of subscribers, sites connected or lines provided for subscription packages and the level of usage, and (ii) prices, for subscription packages, minutes, line rentals and other services, which depend on the offer selected.

Revenue recognition principles are described in Notes 2.3 and 2.4 to the Numericable Group's consolidated financial statements for the year ended December 31, 2013 included elsewhere in this offering memorandum.

The structure of segment revenues is summarized below.

B2C Segment Revenues

Revenue in the B2C segment consists mainly of:

- Digital revenue, including (a) recurring monthly subscription fees for the Numericable Group's television, broadband Internet, fixed-line and mobile telephony services, whether sold on a stand-alone basis or bundled into triple- and quadruple-play packages, (b) variable usage fees from VOD, fixed-line and mobile telephony, (c) one-time connection and disconnection fees, (d) telephony termination fees, and (e) fees paid to the Numericable Group by pay-TV channels based on the number of Numericable Group customers who subscribe to their offerings;
- Bulk revenue, including quarterly, semi-annual and annual fees paid by multiple-dwelling unit managers, including subsidized housing, for the provision of basic television or triple-play services to the residents of their buildings. The incremental revenues from subscribers who upgrade to a full triple- or quadruple-play package are counted as digital revenues and not bulk revenues;
- Analog revenue, including recurring monthly subscription fees for the Numericable Group's analog television offering, including related one-time connection and disconnection fees; and
- Fiber white label revenue, in particular recurring monthly fees paid to the Numericable Group under its white label contracts with Bouygues Télécom

B2B Segment Revenues

Revenue in the B2B segment consists mainly of:

- Voice services, including revenue from variable usage fees from telephony (including VoIP and Centrex) services, recurring monthly subscription fees and one-time connection, disconnection and termination fees; and
- Fixed data services, including revenue from recurring monthly subscription fees for services such as point-to-point bandwidth, LAN to LAN, SAN to SAN and IP VPN and hosting and cloud services.

Wholesale Segment

Revenue in the wholesale segment consists mainly of:

- Revenue relating to wholesale voice carrier services;
- Revenue relating to wholesale data carrier services;
- Revenue relating to the sale of infrastructure (dark fiber); and
- DSL white label revenue, including revenue from the Numericable Group's white label contracts with Darty (in the form of both subscription fees and activation fees). Since the end of 2012, such white label customers have, in certain cases, been migrated to the network of Bouygues Télécom (see ''*Business—Material Contracts—White Label Contracts*''). Monthly fees paid to the Numericable Group are based on the number of end-users to whom a white label customer sells the Numericable Group's triple-play packages, as well as the type of packages. Additional fees are payable by the Numericable Group's customers who require additional services, such as customer care and billing.

Purchases and Subcontracting Services

Purchases and subcontracting services consist mainly of television content costs, data and broadband Internet interconnection costs and fixed-line telephony interconnection and termination costs (the levels of which are regulated). Other additional purchase and subcontracting services include costs of outsourced work, which primarily relates to outsourced network maintenance, installation work and call centers; advertising costs; fees payable under the Numericable Group's MVNO contracts with Bouygues Télécom and SFR; utilities, including electricity, and fees paid for rights of way and rental and leasehold charges. See Note 7 to the Numericable Group's consolidated annual financial statements for year ended December 31, 2013, included elsewhere in this offering memorandum.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses include (i) wages, salaries and bonuses, statutorily required and contractual profit-sharing, social security charges and related taxes, (ii) salaried personnel pension costs and other post-employment benefits, (iii) costs associated with the use of temporary, external and non-salaried personnel, and (iv) costs relating to the stock option plan required to be recognized under IFRS 2.

The Numericable Group's personnel costs depend on the number and salary levels of its full-time staff and external personnel. The Numericable Group believes that its current personnel levels are adequate and it does not expect to increase its personnel levels significantly in the near future. Salary negotiations are customarily held each year.

Taxes and Duties

Taxes and duties consist mainly of general direct and indirect taxes such as certain business taxes (*imposition forfaitaire annuelle and taxe professionnelle*) and the taxes implemented in replacement thereof (*cotisation sur la valeur ajoutée des entreprises* and *cotisation fonciére des entreprises*), local government taxes (*impôts locaux*), taxes on the Numericable Group's vehicle fleet (*taxe sur les véhicule de société*), social security taxes (*contribution sociale de solidarité des sociétés*) and taxes on certain advertising expenses (in particular taxes on advertisement leaflets), as well as taxes applicable to telecommunications operators and television providers, such as taxes on television providers, taxes supporting the audio-visual content industry (*cotisation de soutien à l'industrie des programmes audiovisuels*) and taxes on VOD.

This line item does not include corporate income tax (*impôt sur les bénéfices*), which is recorded under the line item ''Income tax expense.''

Provisions

Provisions consist mainly of provisions for operational risks, disputes and pensions. See note 23 to the Numericable Group's consolidated annual financial statements for the year ended December 31, 2013.

Other Operating Income

Other operating income consists mainly of own work capitalized (i.e., related to network upgrade projects and IT product development work staffed with in-house employees), proceeds from disposals of tangible assets, and other income. In 2011, this line item included €10 million paid by France Telecom to the Numericable Group pursuant to a judgment of the Paris Commercial Court. In 2011, this line item included €10 million paid by France Telecom to the Numericable Group pursuant to a judgment of the Paris Commercial Court. See ''Business of the Numericable Group—Legal Proceedings—Other Matters—Dispute with Orange Relating to Access to the DSL Market''. See ''*Business of the Group—Legal Proceedings—Other Matters—Dispute with Orange Relating to Access to the DSL Market*''.

Other Operating Expenses

Other operating expenses consist mainly of:

- net book value of assets sold;
- advisory fees paid in connection with refinancings;

- management fees paid to the Numericable Group's shareholders Altice, Cinven and Carlyle in relation to certain management, financing and advisory services provided. In and before 2011, such management fees consisted of a variable component based on Numericable Group revenues and a fixed component. In and before 2011, such management fees consisted of a variable component based on Numericable Group revenues and a fixed component. As from 2012, management fees are calculated solely on the basis of a fixed fee. As from 2012, management fees are calculated solely on the basis of a fixed fee; and
- miscellaneous operating expenses.

Operating Income Before Depreciation and Amortization (EBITDA)

Operating income before depreciation and amortization (EBITDA) is one of the main indicators the Numericable Group tracks in order to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. It is calculated as revenues, minus purchases and subcontracting services, staff costs and employee benefits expense, taxes and duties, provisions, other operating income, and other operating expenses.

The Numericable Group believes that this measure is useful to readers of its consolidated financial statements and combined financial statement, respectively, as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization, enhancing the predictive value of its consolidated financial statements and combined financial statements, respectively, and providing information regarding the results of the Numericable Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in its financial performance.

The Numericable Group's calculation of EBITDA may not be comparable to similarly titled measures used by other entities. Furthermore, this measure should not be considered as an alternative to operating income as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect operating results. Accordingly, the Numericable Group also presents the line item ''Operating income,'' which encompasses all amounts which affect its operating results.

Adjusted EBITDA

Adjusted EBITDA is equal to EBITDA (i.e., operating income before amortization and depreciation) adjusted for items the Numericable Group considers to be outside of recurring operating activities or that are non-cash. During the period under review, these items consisted of: advisory fees paid in relation to debt refinancing, acquisition-related restructuring costs (in connection with the acquisition of Altitude Télécom), provisions and costs tied to tax and social security audits, commercial penalties, receipt of a litigation-related payment, receipt of a contract early termination payment charges (non-cash) resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers, the transfer of the remaining net accounting value of assets returned to municipal governments in connection with the exiting of DSP contracts, CVAE tax (*cotisation sur la valeur ajoutée des entreprises*) (a French business tax) and the costs relating to the stock option plans.

The Numericable Group believes that this measurement is useful to readers of its consolidated financial statements and combined financial statements as it makes trends more visible and provides more precise information regarding the Numericable Group's operating income and cash-flow generation.

Depreciation and Amortization

Depreciation and amortization consists mainly of regular depreciation and amortization of non-current assets such as network assets.

Finance Costs, Net

Finance costs, net, consists of interest income net of interest expense and other financial expenses. Interest income primarily consists of income in connection with the investment of cash and cash equivalents as well as other interest income. Interest expense primarily consists of interest expense on the Numericable Group's debt facilities (calculated after giving effect to related interest rate derivative instruments) as well as costs on finance leases based on the effective interest rate method. Interest expense also includes the change in the fair value of interest rate derivatives, which do not qualify for hedge accounting and are therefore marked to market. Other financial expense primarily consists of all fees (other than advisory fees, which are included under other operating expenses) paid in connection with the Numericable Group's debt amendment or refinancing, amortization fees paid in connection with implementation of certain new indebtedness facilities and provisions for financial risks.

Income Tax Expense

Income tax expense consists of corporate income tax (*impôt sur les bénéfices*) and provisions for tax audits. It does not include other taxes due by the Numericable Group, which are recorded under the line item ''Taxes and duties'' discussed above.

The Numericable Group has substantial tax loss carry-forwards (described in Note 12.4 to the consolidated annual financial statements for the three-year period ended December 31, 2013) which by their nature could reduce its corporate income tax burden.

However, the ability to effectively use these losses (and to achieve all or part of the theoretical tax savings they represent) will depend on a number of factors, such as:

- The ability of the Numericable Group or of certain Numericable Group companies to generate taxable profits and the difference between such taxable profits and tax losses; in this respect, it should be noted that (i) a large part of the tax loss carry-forwards (€1,168 million as of December 31, 2013) can currently only be offset against the profits of NC Numericable, an operating company of the Numericable Group (mostly present in the B2C segment); (ii) a part of the tax loss carry-forwards (€148 million as of December 31, 2013) can only be offset against the profits of Completel, an operating company in the B2B and Wholesale segments and (iii) a part of the tax loss carry-forwards (€6 million as of December 31, 2013) can only be offset against the profits of Sequalum; (iv) a portion of the losses (€13 million as of December 31, 2013) can only be offset against the profits of Altice B2B France, a holding company without operating activities; and (v) a portion of the tax loss carry-forwards (€42 million) can only be offset against the profits of Ypso France, a holding company without operating activities. The use of the losses specific to the two holding companies is extremely limited (because they can only be offset against each of these company's profits, respectively, and both these companies are structurally in deficit).
- The two tax consolidation groups formed by Ypso France and Altice B2B France , respectively, remained in place through December 31, 2013. As of December 31, 2013, the Ypso France group had €642 million of tax loss carry-forwards and the Altice B2B France group had €217 million of tax loss carry-forwards. Numericable intends to become the head of a tax consolidation group in accordance with articles 223 A and 223 L 6 i of the French General Tax Code, with effect from January 1, 2014, and including the companies of the Altice B2B France and Ypso France sub-groups. The relevant filings that will be required will be made on March 31, 2014 and will have a retrospective effect as of January 1, 2014. If this occurs, based on the numbers as of December 31, 2013, all of the €642 million of tax loss carry-forwards generated by the Ypso France group and all of the €217 million of tax loss carry-forwards generated by the Altice B2B France group should remain available, subject to certain conditions and limitations, against the profits of the prior scopes of Ypso France and Altice B2B, respectively, which will be included in the scope of the new group.
- The general limitation pursuant to French tax regulations, under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding one million euros is limited to 50% in respect of financial years ending on or after December 31, 2012, as well as certain more specific restrictions with respect to certain tax categories;
- Ypso France's specific tax loss carry-forwards (€42 million) should be considered as lost since the company has not received any favorable tax ruling allowing their transfer;
- The outcome of current or future tax audits and tax-related litigation; and
- Possible changes in applicable laws and regulations.

As of December 31, 2013, given the potential to generate income, the Numericable Group was able to use a portion of the tax loss carry forwards that it had recorded. The Company therefore decided to recognize a deferred tax asset on a basis of €357 million tax losses, (€132.7 million of income tax benefit recognized) or 14%, of the total tax loss carry-forwards.

Net Income from Discontinued Operations

Net income from discontinued operations consists of the net income of Coditel, which the Numericable Group divested in June 2011. Net income from discontinued operations amounted to €126.1 million in 2011.

Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013

The table below shows the Numericable Group's consolidated statement of income for the year ended December 31, 2013 and the combined statement of income for the year ended December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2012[1]		2013[1]		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**1,302.4**	**100.0%**	**1,314.2**	**100.0%**	**0.9%**
Purchases and subcontracting services	(602.1)	(46.2)%	(611.0)	(46.5%)	1.5%
Staff costs and employee benefits expense	(141.5)	(10.9)%	(154.6)	(11.8%)	9.3%
Taxes and duties	(32.4)	(2.5)%	(33.9)	(2.6)%	4.6%
Provisions	(6.2)	(0.5)%	(20.5)	(1.6)%	229.1%
Other operating income	89.2	6.9%	86.3	6.6%	(3.3%)
Other operating expenses	(17.2)	(1.3)%	(20.5)	(1.6)%	19.2%
Operating income before depreciation and amortization (EBITDA)	**592.3**	**45.5%**	**560.1**	**42.6%**	**(5.4)%**
Depreciation and amortization	(291.7)	(22.4)%	(304.0)	(23.1)%	4.2%
Operating income	**300.5**	**23.07%**	**256.0**	**19.5%**	**(14.8)%**
Financial income	4.3	0.3%	9.7	0.7%	124.3%
Interest relative to gross financial debt	(183.1)	(14.1)%	(184.8)	(14.1%)	1.0%
Other financial expense	(32.7)	(2.5)%	(148.5)	(11.3%)	354.2%
Finance costs, net	**(211.4)**	**(16.2)%**	**(323.6)**	**(24.6)%**	**53.1%**
Income tax expense	(2.5)	(0.2)%	132.8	10.1%	N/A
Share in net income (loss) of equity affiliates	(0.2)	0.0%	(0.5)	(0.0%)	143.2%
Net income (loss) from ongoing activities	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Net income from discontinued operations	—	0.0%	—	—	—
Net income (loss)	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Attributable to owners of the entity	86.4	6.6%	64.6	4.9%	(25.3%)
Attributable to non-controlling interests	0.0	0.0%	0.2	0.0%	218.4%

(1) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 an English translation of which included elsewhere in this offering memorandum. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Contribution to revenues

	Year ended December 31,		
	2012	2013	Change
	(in millions of euros)		
B2C	826.2	864.6	4.7%
B2B	323.2	309.6	(4.3%)
Wholesale	153.1	140.0	(8.3%)
Total	1,302.4	1,314.2	0.9%

See ''—*Key Performance Indicators*'' for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues increased by €11.8 million, or 0.9% from €1,302.4 million for the year ended December 31, 2012 to €1,314.2 million for the year ended December 31, 2013. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group's revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

Of the Numericable Group's activities, B2C's revenues saw an increase of 4.7%, the highest increase compared to our other segments, primarily driven by an increase in our subscriber base. As of December 31, 2013, our B2C subscribers increased by 81,000 subscribers to 1.7 million subscribers compared a subscriber base of 1.6 million as of December 31, 2012, mainly as a result of the growth in the number of multi-play subscribers under the Numericable brand (an increase of 69,000 between December 31, 2012 and December 31, 2013) and in the number of Fibers White Label subscribers (an increase of 66,000 between December 31, 2012 and December 31, 2013). Furthermore, the increase in our B2C revenue can also be attributed to the positive effect of our ARPU, which remained high at €41.90 and €41.5 for the fourth quarter of 2013 and the as of December 31, 2013, respectively. It increased by €1.10 and €0.8 as compared with ARPU for the Numericable customer base for the fourth quarter of 2012 and as of December 31, 2012, respectively. Gross-adds ARPU decreased slightly by approximately 1.0% to €41.3 for the year ended December 31, 2013 compared to €41.7 for the year ended December 31, 2012, due to a high seasonality effect in the third quarter of 2013 and higher level of sales for the Numericable Group's web and telesales which generate lower gross-adds.

B2B revenues decreased by 4.3% from 2012 to 2013. This decrease is primarily the result of (i) the effect of decreases in call termination rates, which in turn led customers (especially large customers) to demand decreases in the rates they paid, and (ii) the impact of administrative and operational difficulties in 2012, which resulted in particular in the issuance of credit notes during the first half of 2013. However, the trend appears to be improving, as the value of new signed contracts grew significantly, from €5.660 million in 2012 to €6.656 million in 2013, an improvement of 17.6%. This growth can be expected to impact 2014 revenues, given the installation delays for new business.

Furthermore, we also experienced a decrease in the Wholesale segment's revenues, also due to the systematic passing through of the decreases in call termination rates. Wholesale revenues decreased by 8.4% in 2013 as compared with 2012. The primary reason for this decrease was the decreases in call termination rates. In the Wholesale segment, these decreases led to an immediate and systematic effect on other operations. In addition, 2013 was marked by a progressive decline in the Bouygues (ex-Darty) White Label DSL customer base. This customer base, which had totaled 168,005 subscribers at December 31, 2012, decreased to 120,261 subscribers at December 31, 2013, a contraction of 28%.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €8.9 million, or 1.5%, from €602.1 million in 2012 to €611.0 million in 2013. This increase is primarily due to an increase in subscriber acquisition costs for new B2C customers relating to the higher volume of new customers, partially offset by a significant decrease in call termination costs in B2C, B2B and Wholesale.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by €13.1 million, or 9.3%, from €141.5 million in 2012 to €154.6 million in 2013. This increase was partly the result of an increase in the number of employees, which went from 1,910 employees (excluding trainees) at the end of 2012 to 2,077 employees (excluding trainees) at the end of 2013. This increase in headcount was predominantly led by the hiring of more sales force personnel during the course of 2013 and was further impacted by the integration of LTI, a company acquired in early November 2013, which had 100 employees at the time of the acquisition. The increase of €13.1 million therefore comes from both an increase in the number of employees and an increase in the level of compensation, with a general salary increase of approximately 1% in 2013 and a significant bonus distribution relating, in particular to increased sales (B2C) and orders (B2B) during the period. Approximately €3.6 million in costs relating to stock options issued in 2013 also contributed to the increase.

Taxes and Duties

Taxes and duties rose by €1.5 million, or 4.6%, from €32.4 million in 2012 to €33.9 million in 2013, due primarily to the impact of the increase in B2C and Wholesale income on the CVAE.

Provisions

Provisions (net of reversals) increased by €14.3 million, from €6.2 million in 2012 to €20.5 million in 2013. Most of this increase comes from the B2B segment, in which a provision was recorded following a tax audit performed in 2013 relating to the years 2010 and 2011. Following the audit, the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of these assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income decreased by €2.9 million, from €89.2 million in 2012 to €86.3 million in 2013. This decrease in other operating income primarily reflects a slow-down in costs incurred relating to the DSP 92 project, at a time when the Phase 2 agreement for the project was being discussed and Phase 1 was nearing completion. This slow-down in activity led to a lower level of capitalization of external costs, partly offset by sales of cable networks to municipal governments in connection with the winding up of (public service concession) (*délégation de service public*) contracts. In 2013, this item also includes repayment of a €5.0 million fine assessed by ARCEP in 2012, due to the Constitutional Council's decision to invalidate ARCEP's power to impose sanctions.

Other Operating Expenses

Other operating expenses increased by €3.3 million, from €17.2 million in 2012 to €20.5 million in 2013. This increase is due to the B2C segment and to expenses related to the termination of certain DSPs, which resulted in a return of certain assets to municipal governments. This return of assets results in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow. The increase in these expenses was partially offset by the decrease in fees paid in connection with refinancing transactions (as the costs incurred in connection with the initial public offering were fully deducted from share premium and were not recorded as expenses) and the decrease in management fees paid to shareholders.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €32.1 million, from €592.3 million in 2012 to €560.1 million in 2013. This decrease reflects both decreases directly related to activity and other decreases that are either non-recurring or have no impact on cash flow, and which are eliminated when calculating adjusted EBITDA (see below). Activity in 2013 was principally characterized by accelerated growth in the B2C business, which generates significant subscriber acquisition costs (sales and marketing expenses). These costs, which are necessary to create dynamic sales, generate expenses in the year during which the new customers are acquired. In 2013 they offset the positive recurring effect of this growth in the B2C business. In the B2B business, the decline in telephony activities and the decision taken in 2013 to issue credit notes to resolve customer management problems related to the service quality problems that occurred in 2012 and 2011 also negatively affected the year's results.

In addition, 2013 was affected by a series of costs that either were non-recurring or had no impact on cash flow, such as the effect of the tax audit in the B2B segment and the related increase on provisions, and the non-cash termination costs of certain DSPs.

Adjusted EBITDA

Once non-recurring items and items that have no impact on cash flow are deducted, adjusted EBITDA for 2013 amounted to €615.9 million, a slight decrease of €5.0 million, or 0.8%, as compared with 2012.

These results primarily demonstrate the accelerating acquisition of new clients in B2C, which decreases profitability in the first year, as well as the effect of the slow-down in B2B voice activities, due to the last regulated decrease in call termination rates as of January 1, 2013. In Wholesale, a return to profitability was achieved by pursuing growth in high-margin fiber and traditional data capacity resale.

See ''—*Reconciliation of EBITDA and Adjusted EBITDA*'' for details on the components of adjusted EBITDA.

Depreciation and Amortization

Depreciation and amortization expenses increased by €12.3 million, or 4.2%, from €291.7 million in 2012 to €304.0 million in 2013. This increase reflects increased investment in the B2C and B2B segments in recent years to upgrade and modernize the network and connect an increasing number of clients.

Operating Income

Operating income decreased by €44.5 million, or 14.8%, from €300.5 million in 2012 to €256.0 million in 2013, for the reasons discussed above.

Finance Costs, Net

Finance costs, net increased by €112.2 million, from a net charge of €211.4 million for the year ended December 31, 2012 to a net charge of €323.6 million for the year ended December 31, 2013. The majority of this increase (€81.6 million) is the result of capitalizing the Super PECs (see below). The remainder of the increase (€30.6 million) is primarily the result of (i) a €34.2 million increase in Other Financial Expenses, excluding the effect of capitalizing the Super PECs, and (ii) a €1.8 million increase in interest expense, offset by a €5.4 million increase in interest income.

At the time of the restructuring of the Numericable Group's debt in 2009, shareholders of the Numericable Group acquired certain loans under the Ypso France Senior Facility. Ypso Holding S.à r.l. issued equity securities that were subscribed by the shareholders, and in particular 132,664,023 subordinated interest preferred equity certificates (the ''Super PECs''), with a nominal value of one euro each. Interest due to shareholders was capitalized.

Cinven, Carlyle and Altice contributed these Super PECs to Numericable Group on November 7, 2013 in connection with the transactions relating to the initial public offering. As a result, this debt was retired, and newly issued equity securities were delivered in consideration. In turn, debt extinction charges (''premium'') were recorded in financial expenses for an amount of €81.6 million. This expense has no impact on the Numericable Group's cash flow.

The increase of €34.2 million in Other Financial Expenses, excluding the effect of capitalizing Super PECs of Ypso Holdings, is a result of costs incurred relating to the repayment of various credit lines using the Facility D ,a tranche of the Ypso France Senior Facility, and the capital increase at the time of the initial public offering. The repayment of a portion of the October 2012 Notes and the February 2012 Notes, respectively, led to the payment of a premium to the noteholders. Thus, the Numericable Group paid a total of €28.0 million on certain tranches of the Ypso France Senior Facility (12.375% of the amounts repaid on the C1A Facility tranche, 8.75% of the amounts repaid on their C2A Facility tranche, and 2% on the C2B Facility tranche, which was fully repaid). The early repayments of these facilities, as well as the facilities under Altice B2B's senior facility, resulted in the recording of €15.2 million in costs relating to the initial entry into the cancelled debt, which had initially been recorded at amortized cost. The outstanding amount under the Facility D will repaid as part of the Transaction. See ''*Capitalization*''

The increase in interest income relates primarily to two payments totaling €7.1 million received by the Numericable Group following the bankruptcy of Lehman Brothers. The remainder of interest income recorded on the income statement consists of a reversal of provisions for risks of €1.9 million.

Interest on debt increased primarily as a result of the refinancing in October 2012, but also as a result of the refinancing in February 2012 (to a lesser extent, because it relates only to the first 45 days of the year). The refinancing transactions carried out in the fourth quarter have lowered interest payments only slightly so far, because they closed in December.

Income Tax Expense

The initial public offering and the structural reorganization implemented in November and December 2013 gave the Numericable Group better visibility over its tax structure and its ability to generate, in line with the Numericable Group's future income perspectives, taxable profits enabling the Company to use at least a portion of its available tax loss carryforwards. Given the potential to generate income, it became clear that the Numericable Group was able to use a portion of the tax loss carryforwards that it had recorded. The Company therefore decided to recognize a deferred tax asset for the share of the tax losses that can be used within five years. The result was the recognition of deferred tax income of €132.8 million for 2013. See Note 4.4.6 for a description of the rules governing the use of these losses.

Analysis of Results by Segment for the Years Ended December 31, 2012 and December 31, 2013

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2C segment for the years ended December 31, 2012 and 2013.

B2C Segment[(1)]	Year ended December 31, 2012[(2)]	Year ended December 31, 2013[(2)]	Change 2013/2012
	(in € millions)		
Revenues	**832.6**	**869.4**	**4.4%**
Digital revenues	650.4	681.5	4.8%
Analog revenues	36.9	28.6	(22.5)%
Bulk revenues	70.1	68.6	(2.1)%
Fiber white label revenues	75.3	90.7	20.5%
Purchases and subcontracting services	(386.1)	(415.1)	7.5%
Staff costs and employee benefits expense	(77.6)	(87.1)	12.2%
Taxes and duties	(19.9)	(20.5)	3.0%
Provisions	(4.5)	(8.6)	91.0%
Other operating income	68.1	65.5	(3.8%)
Other operating expenses	(16.0)	(18.6)	16.3%
Operating income before depreciation and amortization (EBITDA)	**396.6**	**385.0**	(2.9)%
EBITDA margin rate	*47.5%*	*44.3%*	—

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this offering memorandum. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenues

B2C segment revenues increased 4.4% to €869.4 million for the year ended December 31, 2013, compared to €832.6 million for the year ended December 31, 2012.

The increase in B2C revenues was predominately due to the Numericable brand digital business, which increased by €31.1 million, or 4.8%, from €650.4 million in 2012 to €681.5 million in 2013. Digital revenues comprise revenues generated by sales of digital multi-play packages and options, such as VOD and additional channels. This increase was primarily due to an increase in the digital customer base, which totaled 1.264 million at December 31, 2013, as compared to 1.228 million at December 31, 2012. This increase in the client base primarily reflects the commercial appeal of our Very High Speed and LaBox offerings. LaBox was launched in mid-2012 and was aggressively advertised in the fall of 2012. The increase in the client base was accompanied by an increase of €0.80 in ARPU for existing clients, from an average of €40.70 per month in 2012 to an average of €41.5 per month in 2013.

Fiber white labels constituted the second growth vector, with revenues increasing by 20.4%, or €15.4 million, from €75.3 million in 2012 to €90.7 million in 2013. This increase reflects an approximate 22% increase in the number of fiber white label end users year-on-year, from approximately 297,000 end users as of December 31, 2012 to approximately 363,000 end users as of December 31, 2013, due to the continued commercial roll-out of Bouygues Télécom's white label offering since its launch at the end of 2010.

Analog revenues continued to decrease as anticipated, decreasing by €8.3 million, or 22.5%, from €36.9 million for the year ended December 31, 2012 to €28.6 million for the year ended December 31, 2013. This decrease is primarily due to a 21% decrease in the Numericable Group's analog customer base, from approximately 103,000 subscribers as of December 31, 2012 to approximately 81,000 as of December 31, 2013. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered.

Bulk revenues decreased slightly by 2.1%, totaling €68.6 million for the year ended December 31, 2013, compared to €70.1 million for the year ended December 31, 2012, reflecting a slight decrease in the Numericable Group's bulk customer base.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €29.0 million, or 7.5%, from €386.1 million in 2012 to €415.1 million in 2013. This increase primarily reflects the marketing and communications efforts made in order to grow the digital subscriber base between 2012 and 2013. Subscriber acquisition costs, which include subscriber acquisition-related marketing and communications costs and commissions paid to external sales networks, increased by almost €17 million, from €73.4 million in 2012 to €90.0 million in 2013.

In addition, energy and network-maintenance costs increased by €1 million, call center costs increased by €2.5 million, and costs of material purchased for resale increased €5 million.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 12.3%, or €9.5 million, from €77.6 million in 2012 to €87.1 million in 2013. This increase reflects the hiring of new sales team members in 2012 and 2013, as well as higher variable compensation paid to marketing staff, tied in part to the number of new customers. Furthermore, wages increased by approximately 1% in 2013.

In addition, the cost of stock options granted in connection with the IPO added costs of €3.6 million.

Taxes and Duties

Taxes and duties increased 3.0%, or €0.6 million, from €19.9 million in 2012 to €20.5 million in 2013. This increase is due to the growth in the Company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE)) in this period, which in turn results from the Company's significant investments in the B2C business and the related increase in both the value of fixed assets and added value.

Provisions

Net provisions increased by €4.1 million, from €4.5 million for the year ended December 31, 2012 to €8.6 million for the year ended December 31, 2013.

Provisions mainly consist of those for commercial and tax litigation, for retirement indemnities and for amounts charged to end users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The increase was primarily due to the increase in net provisions for bad debt, for €4 million. The other provisions recorded during the year were offset by reversals during the period.

Other Operating Income

Other operating income decreased by €2.6 million, from €68.1 million for the year ended December 31, 2012 to €65.5 million for the year ended December 31, 2013. This decrease was primarily due to lower capital expenditures on the DSP 92 project, as Phase 1 of the project ended during the year.

Other Operating Expenses

Other operating expenses increased by €2.6 million, from €16.0 million for the year ended December 31, 2012 to €18.6 million for the year ended December 31, 2013. This increase was the result of two factors.

A significant increase of €7.3 million in expenses related to the completion of certain DSPs, which resulted in a return of certain assets to local governments. This return of assets resulted in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow.

This effect was partially offset by a significant decrease in refinancing fees as compared with 2012, a year in which costs increased strongly as a result of the two note issuances.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €11.6 million, from €396.6 million for the year ended December 31, 2012 to €385.0 million for the year ended December 31, 2013. Compared to 2012 and previous years, where revenue remained relatively stable, the growth in 2013, driven by a more significant capture of new customers, generated higher subscription acquisition costs. In the first year of return to growth, these higher costs more than offset the growth in revenues. However, B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external sales networks) increased from €468.4 million for the year ended December 31, 2012 to €470.0 million for the year ended December 31, 2013.

Moreover, this segment's EBITDA was affected in 2013 by the costs of stock option grants in the amount of €3.6 million, as well as additional charges with no effect on cash flow relating to the completion of DSPs, for €7.3 million.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2B segment for the years ended December 31, 2012 and 2013.

B2B Segment[(1)]	Year ended December 31, 2012[(2)]	Year ended December 31, 2013[(2)]	Change 2013/2012
	(in € millions)		
Revenues	**324.5**	312.6	(3.7%)
Voice revenues	133.9	115.5	(13.7%)
Data revenues	190.6	197.1	3.4%
Purchases and subcontracting services	(178.4)	(180.2)	1.0%
Staff costs and employee benefits expense	(57.2)	(60.5)	5.8%
Taxes and duties	(7.6)	(8.1)	6.7%
Provisions	(1.3)	(11.6)	774.3%
Other operating income	21.1	20.8	(1.6)%
Other operating expenses	(1.1)	(1.9)	63.6%
Operating income before depreciation and amortization (EBITDA)	**100.0**	**71.1**	**(28.8)%**
EBITDA margin rate	*30.8%*	22.8%	—

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this ''*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*'', the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this offering memorandum. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the ''*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*'' have not been restated.

Revenue

B2B segment revenues decreased by €11.9 million, or 3.7%, from €324.5 million in 2012 to €312.6 million in 2013. This decrease reflected a decrease in voice revenues, which was partially offset by an increase in data revenues. This decrease in the B2B segment's operating income is due to a decrease in the size of the voice market, primarily as a result of the regulated decrease in interconnection rates, and, to a lesser extent, in volumes.

Voice revenues decreased by €18.4 million, or 13.7%, from €133.9 million in 2012 to €115.5 million in 2013. This decrease resulted from a gradual passing on to customers of the successive decreases in regulated call termination rates.

Data revenues increased by €6.5 million, or 3.4%, from €190.6 million for the year ended December 31, 2012 to €197.1 million for the year ended December 31, 2013. This increase reflected the Numericable Group's strategy of focusing on data services, where most new contracts are signed.

In addition, 2013 was also affected by credit notes issued to certain customers in response to customer complaints regarding service quality problems during the integration of Altitude Télécom within Completel. These credit notes primarily affected the first half of the year, for a total of approximately €10 million, the impact of which reduced revenues.

Purchases and Subcontracting Services

Purchases and subcontracting services increased slightly, from €178.4 million in 2012 to €180.2 million in 2013, for an increase of 1.0%. This small increase results from the growth in the Numericable Group's data business, the revenues of which increased 3.4% for the year, generating more purchases of capacity.

This increase was partly offset by a decrease in telephony costs of approximately €4 million from 2012 to 2013 resulting from a decrease in per-unit costs, the effect of the last decrease in regulated interconnection rates, which occurred on January 1, 2013, and of a contraction in volumes of minutes.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 5.8%, from €57.2 million in 2012 to €60.5 million in 2013. This increase has two main causes. First, additional sales staff was recruited to address the lower-end market and SMEs. Second, new contracts increased strongly in 2013 as compared with 2012 (monthly revenues from new contracts increased from €5.660 million in 2012 to €6.657 million in 2013, representing an increase of 17.6%, the effect of which should be seen essentially in 2014), generating higher bonuses for the sales teams in 2013 than in 2012.

Taxes and Duties

Taxes and duties increased slightly, by €0.5 million, between 2012 and 2013.

Provisions

Provisions (net of reversals) increased by €10.3 million, from €1.3 million in 2012 to €11.6 million in 2013. Most of this increase comes from a provision recorded following a tax audit performed in 2013 relating to the years 2010 and 2011, following which the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of the assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income did not change significantly, decreasing €0.3 million, or 1.6%, from €21.1 million in 2012 to €20.8 million in 2013. This other income largely comprises capitalized payroll.

Other Operating Expenses

Other operating expenses increased €0.8 million, from €1.1 million in 2012 to €1.9 million in 2013. This increase is essentially due to fees paid in connection with refinancing transactions in 2013.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €28.8 million, or 28.8%, from €100.0 million in 2012 to €71.2 million in 2013.

This decrease in the B2B segment's operating income was amplified in 2013 by the low level of contract-based orders in 2012, leading to an incremental revenue in 2013 that was weaker than in 2012. The credit notes of close to €10 million issued in the first half of the year also weighed heavily on this segment's profitability in 2013, as did the provision relating to the tax audit, for €11.4 million.

The commercial recovery in 2013, as measured by the value of new contracts signed, which increased 17.6% in 2013 as compared with 2012, as well as the end of the regulated decreases in call termination rates, are positive signs for 2014.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the wholesale segment for the years ended December 31, 2012 and 2013.

Wholesale Segment[(1)]	Year ended December 31, 2012[(2)]	Year ended December 31, 2013[(2)]	Change 2013/2012
	(in € millions)		
Revenues	**211.5**	**200.8**	**(5.1%)**
Purchases and subcontracting services	(103.8)	(84.3)	(18.7%)
Staff costs and employee benefits expense	(6.7)	(7.0)	4.3%
Taxes and duties	(4.9)	(5.4)	8.7%
Provisions	(0.4)	(0.3)	(25.5)%
Other operating income	0.0	0.1	—
Other operating expenses	—	0.0	—
Operating income before depreciation and amortization (EBITDA)	**95.7**	**103.9**	**8.6%**
EBITDA margin rate	*45.3%*	51.7%	—

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this ''*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*'', the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this offering memorandum. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the ''*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*'' have not been restated.

Revenue

Wholesale segment revenues decreased by €10.7 million, or 5.1%, from €211.5 million in 2012 to €200.8 million in 2013. This crease was due to a decrease in the voice business and DSL white labels sale partly offset by the increase in data and fiber whole.

Several factors explain this change. The telephony business had benefited in 2012 from the interconnection traffic between the mobile networks of Bouygues Telecom and Free Mobile. Increasingly, however, traffic is passing directly between these two operators, and less through the Numericable Group's network. This, along with the regulated decrease in interconnection rates, explains a decrease in revenues of €27 million. However, these two effects had only a weak impact on margin value.

In addition, the revenues generated by the Bouygues (formerly known as Darty) white label DSL brands continued to decrease (by €4 million between 2012 and 2013) in correlation with the decrease in the number of customers hosted on the Numericable Group's network, which decreased from 168,005 customers at the end of 2012 to 120,261 in 2013, or a decrease of 28%.

Conversely, revenues from data capacity resales, which are high margin, continued to grow, increasing by approximately €17 million from 2012 to 2013. See ''*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*''.

Purchases and Subcontracting Services

Purchases and subcontracting services decreased by €19.5 million, or 18.8%, from €103.8 million in 2012 to €84.3 million in 2013.

This decrease resulted from a decrease in volume and value of telephone traffic over the Numericable Group's network. The decrease in volume was the result of a lower volume of minutes exchanged between Bouygues Télécom and Free Mobile using the Numericable Group's network. The decrease in value was the result of the regulated decrease in interconnection rates, which last occurred on January 1, 2013.

The increase in data activity had only a small impact on purchases and subcontracting services, because it primarily includes the resale of capacity on the Numericable Group's network, which does not generate additional external costs. Staff Costs and Employee Benefits Expenses

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 4.2%, or €0.3 million, from €6.7 million in 2012 to €7.0 million in 2013, due primarily to the increase in profit sharing based on income growth in 2013.

Taxes and Duties

Taxes and duties increased by €0.5 million, or 9.3%, from €4.9 million in 2012 to €5.4 million in 2013. This tax increase is directly correlated with the increase in income generated by Wholesale activities.

Provisions

Provisions (net of reversals) went from €0.4 million in 2012 to €0.3 million in 2013. Neither the change in provisions nor their absolute value is significant.

Operating Income Before Depreciation and Amortization

EBITDA of Wholesale activities grew by €8.2 million, or 8.6%, between 2012 and 2013, from €95.7 million in 2012 to €103.9 million in 2013.

This increase in EBITDA resulted from a decline in the traditional telephony service resale business, which is lower margin, more than offset by growth in the data service resale business, which is higher margin.

Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012

The table below shows the Numericable Group's combined statement of income for the years ended December 31, 2011 and December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2011		2012		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**1,306.9**	**100.0%**	**1,302.4**	**100.0%**	**(0.3)%**
Purchases and subcontracting services	(621.7)	(47.6)%	(602.1)	(46.2)%	(3.2)%
Staff costs and employee benefits expense	(141.0)	(10.8)%	(141.5)	(10.9)%	0.4%
Taxes and duties	(28.3)	(2.2)%	(32.4)	(2.5)%	14.5%
Provisions	(8.0)	(0.6)%	(6.2)	(0.5)%	(21.8)%
Other operating income	80.4	6.2%	89.2	6.9%	10.9%
Other operating expenses	(25.1)	(1.9)%	(17.2)	(1.3)%	(31.5)%
Operating income before depreciation and amortization (EBITDA)(i)	**563.2**	**43.1%**	**592.3**	**45.5%**	**5.2%**
Depreciation and amortization	(294.5)	(22.5)%	(291.7)	(22.4)%	(1.0)%
Operating income	**268.7**	**20.6%**	**300.5**	**23.0%**	**11.8%**
Financial income	1.2	0.1%	4.3	0.3%	258.3%
Interest relative to gross financial debt	(177.3)	(13.6)%	(183.1)	(14.1)%	3.3%
Other financial expense	(9.9)	(0.8)%	(32.7)	(2.5)%	230.3%
Finance costs, net	**(186.0)**	**(14.2)%**	**(211.4)**	**(16.2)%**	**13.7%**
Income tax expense	(13.4)	(1.0)%	(2.5)	(0.2)%	(81.3)%
Share in net income (loss) of equity affiliates	(0.3)	0.0%	(0.2)	0.0%	(35.6)%
Net income (loss) from ongoing activities	**69.0**	**5.3%**	**86.4**	**6.6%**	**25.3%**
Net income from discontinued operations	126.1	9.6%	—	0.0%	(100.0)%
Net income (loss)	**195.1**	**14.9%**	**86.4**	**6.6%**	**(53.7)%**
Attributable to owners of the entity	194.9	14.9%	86.4	6.6%	(75.4)%
Attributable to non-controlling interests	0.2	0.0%	0.0	0.0%	NA

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

See ''—*Key Performance Indicators*'' for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues remained relatively stable, decreasing by €4.5 million, or 0.3%, from €1,306.9 million for the year ended December 31, 2011 to €1,302.4 million for the year ended December 31, 2012. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group's revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

The B2C segment's contribution to Numericable Group revenues remained relatively stable, decreasing by €4.1 million, or 0.5%, from €830.3 million for the year ended December 31, 2011 to €826.2 million for the year ended December 31, 2012. This relative stability reflects an increase in fiber white label revenue and a stable performance in bulk revenue, offset by a decrease in both digital and analog revenues.

The B2B segment's contribution to Numericable Group revenues decreased slightly by €5.0 million, or 1.5%, from €328.2 million for the year ended December 31, 2011 to €323.2 million for the year ended December 31, 2012. This decrease reflects a decrease in voice revenue, which was partly offset by an increase in data revenue. This decrease also reflects higher churn due in part to the migration of segment engineers to Rouen, which underwent a reorganization in the first quarter of 2012, which resulted in higher churn and a low level of new installations, as well as certain technical issues, which were resolved towards the end of 2012.

The wholesale segment's contribution to Numericable Group revenues increased by €4.8 million, or 3.2%, from €148.3 million for the year ended December 31, 2011 to €153.1 million for the year ended December 31, 2012. This increase reflects increases in voice and fiber wholesale revenues, partially offset by decreases in data and white label revenues as well as a reduction in regulated interconnection rates.

Excluding one large one-off revenue item recorded in 2011—a €19 million payment by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—Numericable Group revenues would have increased by €14.5 million, or 1.1%, in 2012 as compared to 2011.

Purchases and Subcontracting Services

Purchases and subcontracting services expenses decreased by €19.6 million, or 3.2%, from a total expense of €621.7 million for the year ended December 31, 2011 to a total expense of €602.1 million for the year ended December 31, 2012. This decrease primarily reflects lower expenses in the B2B segment, as a result of synergies following the Altitude Télécom acquisition as well as a reduction in regulated call termination rates and a reduction in content costs in the B2C segment.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses remained stable, increasing by €0.5 million, or 0.3%, from €141.0 million for the year ended December 31, 2011, to €141.5 million for the year ended December 31, 2012. This stability reflects slight increases in headcount, wages and employee profit sharing in 2012, partially offset by staff cost synergies realized following the acquisition of Altitude Télécom.

Taxes and Duties

Taxes and duties increased by €4.1 million, or 14.5%, from €28.3 million for the year ended December 31, 2011 to €32.4 million for the year ended December 31, 2012, reflecting a general increase in the tax burden of French corporations in 2012.

Provisions

Net provisions remained relatively stable, amounting to €8.0 million for the year ended December 31, 2011 and €6.2 million for the year ended December 31, 2012.

Other Operating Income

Other operating income increased by €8.8 million, or 10.9%, from €80.4 million for the year ended December 31, 2011 to €89.2 million for the year ended December 31, 2012. This increase reflects an €18.2 million increase in own work capitalized, relating in particular to DSP 92.

Other Operating Expenses

Other operating expenses decreased by €7.9 million, or 31.5%, from €25.1 million for the year ended December 31, 2011 to €17.2 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology, partially offset by debt refinancing-related fees.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA increased by €29.1 million, or 5.2%, from €563.2 million for the year ended December 31, 2011 to €592.3 million for the year ended December 31, 2012. This increase primarily reflects reductions in content-related costs in the B2C segment, as well as synergies derived from the integration of Altitude Télécom (acquired in late 2010) into Completel.

Adjusted EBITDA

Adjusted EBITDA increased by €48.7 million, or 8.5%, from €572.2 million for the year ended December 31, 2011 to €620.9 million for the year ended December 31, 2012. See ''*Summary Financial Information and Other Data*'' for an explanation of adjusted EBITDA and its components.

Depreciation and Amortization

Depreciation and amortization expenses remained relatively stable, amounting to €294.5 million for the year ended December 31, 2011 and €291.7 million for the year ended December 31, 2012.

Operating Income

Operating income increased by €31.8 million, or 14.8%, from €268.7 million for the year ended December 31, 2011 to €300.5 million for the year ended December 31, 2012. This increase is due to the same factors as the increase in EBITDA.

Finance Costs, Net

Finance costs is a net charge which increased €25.4 million, or 13.7%, from €186.0 million for the year ended December 31, 2011 to €211.4 million for the year ended December 31, 2012. This variation reflects higher interest relative to gross debt and other financial expenses as a result of the Numericable Group's 2012 debt refinancing. The Numericable Group paid substantial waiver fees in connection with such refinancing, and it resulted in a higher blended interest rate. In addition, no mark-to-market gains were recorded in 2012 in relation to the fixed/variable interest rate swap that was terminated in the middle of 2011, after having generated substantial mark-to-market gains in 2011 (€27.0 million). See ''*—Liquidity and Capital Resources of the Group—Cash Flows—Net cash used by Financing Activities—Interest paid*''.

Income Tax Expense

Income tax expense decreased by €10.9 million, or 81.3%, from €13.4 million for the year ended December 31, 2011 to €2.5 million for the year ended December 31, 2012. This decrease is a result of a base effect in 2011: the Numericable Group recorded a provision of €11.4 million in respect of tax audits. The effective income tax rate decreased from 16.19% in 2011 to 2.84% in 2012.

Analysis of Results by Segment for the Years Ended December 31, 2011 and December 31, 2012

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2C segment for the years ended December 31, 2011 and 2012.

B2C Segment	Year ended December 31, 2011	Year ended December 31, 2012	Change 2012/2011
	(in € millions)		
Revenues	**835.3**	**832.6**	**(0.3)%**
Digital revenues	660.4	650.4	(1.5)%
Analog revenues	51.1	36.9	(27.8)%
Bulk revenues	70.0	70.1	0.1%
Fiber white label revenues	53.8	75.3	40.0%
Purchases and subcontracting services	(385.0)	(386.1)	0.3%
Staff costs and employee benefits expense	(73.5)	(77.6)	5.6%
Taxes and duties	(18.9)	(19.9)	5.3%
Provisions	(5.3)	(4.5)	(14.3)%
Other operating income	60.2	68.1	13.1%
Other operating expenses	(14.4)	(16.0)	11.1%
Operating income before depreciation and amortization (EBITDA)	**398.4**	**396.6**	**(0.5)%**
EBITDA margin rate	*47.7%*	*47.5%*	*(0.2)%*

Revenues

B2C segment revenues remained relatively stable, totaling €832.6 million for the year ended December 31, 2012, compared to €835.3 million for the year ended December 31, 2011.

Digital revenues, consisting of the revenues deriving from the sale of digital multiple play packages and options (VOD, additional channels, etc.) decreased by €10.0 million, or 1.5%, from €660.4 million for the year ended December 31, 2011 to €650.4 million for the year ended December 31, 2012. This decrease was primarily due to a slight reduction in the digital customer base, which totaled 1.228 million at December 31, 2012, as compared to 1.238 million at December 31, 2011. The decrease in the customer base reflected a more difficult first half of the year in 2012 in terms of gross adds and a relatively flat second half of the year. Churn improved in 2012 as compared to 2011. The reduction in the customer base was partly offset by a €0.4 increase in the ARPU of the customer base in 2012 compared to 2011. VOD revenues also increased from €10.0 million in 2011 to €12.0 million in 2012.

Analog revenues decreased by €14.2 million, or 27.8%, from €51.1 million for the year ended December 31, 2011 to €36.9 million for the year ended December 31, 2012. This decrease was primarily due to a 22.6% decrease in the Numericable Group's analog customer base, from approximately 133,000 subscribers as of December 31, 2011 to approximately 103,000 as of December 31, 2012. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered. The pace of churn in the analog customer base was lower in 2011 when the satellite analog signal was switched-off. See ''*Business—The Group's Business Lines—B2C Market—B2C Segment Offers—Analog Television Services*''.

Bulk revenues remained stable, totaling €70.0 million for the year ended December 11, 2011, compared to €70.1 million for the year ended December 31, 2012, reflecting the relative stability of the Numericable Group's bulk customer base and slight contractual increases in tariffs.

Fiber white label revenues increased by €21.5 million, or 40.0%, from €53.8 million for the year ended December 31, 2011 to €75.3 million for the year ended December 31, 2012. This increase reflected an approximately 44% increase in the number of fiber white label end users year-on-year.

Purchases and Subcontracting Services

Purchases and subcontracting services remained relatively stable at €386.1 million for the year ended December 31, 2012, compared to €385.0 million for the year ended December 31, 2011. This stability results from a reduction in content-related costs and an increase of other expenses such as externalized door-to-door sales force (for an amount of €4 million) and some rental expenses where the Numericable Group's network equipment is located (for an amount of €2.5 million). ''Subscriber acquisition'' costs, which include subscriber acquisition-related marketing, communications and commissions paid to external distribution networks amounted to €73.8 million and €73.4 million, respectively, for the years ended December 31, 2011 and 2012.

Content-related costs decreased from €103.1 million for the year ended December 31, 2011 to €93.1 million for the year ended December 31, 2012. This decrease is mainly the result of renegotiations that took place at the end of 2011 to renew certain broadcasting contracts with the main TV channels and owners of content rights. In 2012, the Numericable Group negotiated more favorable financial terms for the MNVO contracts entered into with Bouygues Télécom, which terms retroactively apply as from January 1, 2012.

Staff Costs and Employee Benefits Expense

Staff costs increased by 5.6% or €4.1 million, from €73.5 million for the year ended December 31, 2011 to €77.6 million for the year ended December 31, 2012. This increase was due to sales force hirings made in the course of 2012 and 2011, the latter of which having a full-year effect in 2012. In addition, wages increased approximately 1% in 2012 and employee profit sharing expenses increased by €1.5 million.

Taxes and Duties

Taxes and duties increased by 5.3% or €1.0 million, from €18.9 million for the year ended December 31, 2011 to €19.9 million for the year ended December 31, 2012. This increase is mainly due to a general increase in the tax burden on French corporations in 2012 and the increased profitability of this segment.

Provisions

Net provisions remained relatively stable at €4.5 million for the year ended December 31, 2012 compared to €5.3 million for the year ended December 31, 2011.

Provisions mainly consist of those for commercial and tax litigations, for retirement indemnities and for amounts charged to end-users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The slight increase in net provisions in 2012 is primarily due to increases in provisions for retirement indemnities, the calculation of which is affected by discount rates, which decreased between 2011 and 2012 and therefore generated an additional expense in 2012 of €1.3 million compared to 2011.

Other Operating Income

Other operating income increased by €7.9 million, or 13.1%, from €60.2 million for the year ended December 31, 2011 to €68.1 million for the year ended December 31, 2012. Excluding a one-off payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court, other operating income increased by €17.9 million. The increase resulted mainly from an increase in own work capitalized, relating in particular to the DSP 92 project.

Other Operating Expenses

Other operating expenses increased by €1.6 million, or 11.1%, from €14.4 million for the year ended December 31, 2011 to €16.0 million for the year ended December 31, 2012. The increase is primarily a result of €3.9 million in advisory fees incurred in 2012 in connection with the Numericable Group's 2012 debt refinancing.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €3.0 million, or 0.8%, from €398.4 million for the year ended December 31, 2011 to €396.6 million for the year ended December 31, 2012. This is tied to the relative stability of revenues, optimization of content-related costs and a number of items included in the table in ''Selected Financial and Operating Data—Other Financial Data—Adjusted EBITDA.''

B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external distribution networks) increased from €461.8 million for the year ended December 31, 2011 to €468.4 million for the year ended December 31, 2012, an increase of 1.4%.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2B segment for the years ended December 31, 2011 and 2012.

B2B Segment	Year ended December 31, 2011	Year ended December 31, 2012	Change 2012/2011
	(in € millions)		
Revenues	**331.1**	**324.5**	**(2.0)%**
Voice revenues	152.2	133.9	(12.0)%
Data revenues	179.0	190.6	6.5%
Purchases and subcontracting services	(196.7)	(178.4)	(9.3)%
Staff costs and employee benefits expense	(61.0)	(57.2)	(6.2)%
Taxes and duties	(5.7)	(7.6)	33.3%
Provisions	(3.3)	(1.3)	(60.6)%
Other operating income	20.1	21.1	5.0%
Other operating expenses	(10.6)	(1.1)	(89.6)%
Operating income before depreciation and amortization (EBITDA)	**74.0**	**100.0**	**35.2%**
EBITDA margin rate	*22.3%*	*30.7%*	*8.4%*

Revenue

B2B segment revenues decreased by €6.6 million, or 2.0%, from €331.1 million for the year ended December 31, 2011 to €324.5 million for the year ended December 31, 2012. This decrease reflected a decrease in voice revenue, which was partly offset by an increase in data revenue.

Voice revenues decreased by €18.3 million, or 12.0%, from €152.2 million for the year ended December 31, 2011 to €133.9 million for the year ended December 31, 2012. This decrease resulted from a gradual passing on to customers of successive decreases in regulated termination rates.

Data revenues increased by €11.6 million, or 6.5%, from €179.0 million for the year ended December 31, 2011 to €190.6 million for the year ended December 31, 2012. This increase reflected the Numericable Group's strategy to focus on data services following the acquisition in late 2010 of Altitude Télécom, an operator that was focused exclusively on data services.

In general, the first half of 2012 was difficult, due to the migration of B2B segment engineers to Rouen and a technical overloading problem at a Completel site in the second quarter of the year, which weighed further on installations. The third quarter was seasonally low in telephony traffic and hence revenues. Sales performance improved in the fourth quarter of 2012, although installations remained low.

Purchases and Subcontracting Services

Purchases and subcontracting services decreased significantly from €196.7 million for the year ended December 31, 2011 to €178.4 million for the year ended December 31, 2012, representing an €18.3 million, or 9.3%, decrease. This decrease resulted from the optimization of other purchases and subcontracting services following the full integration and merger of Altitude Télécom within Completel, completed in December 2011, as well as from a gradual passing on to customers of successive decreases in regulated termination call rates.

Cost synergies generated by the integration and the merger of Altitude within Completel amounted to savings of €10 million in 2012 compared to 2011, the majority of which was related to savings in network expenses, which were reduced by €5.2 million, as well as smaller reductions in marketing expenses (-€2.6 million) and general and administrative expenses (-€1.5 million).

Voice-related expenses decreased by €4.6 million between 2011 and 2012, mainly due to reductions in regulated termination rates.

Staff Costs and Employee Benefits Expense

Staff costs decreased by 6.2%, or €3.8 million, from €61.0 million for the year ended December 31, 2011 to €57.2 million for the year ended December 31, 2012. This decrease is primarily the result of the full integration and merger of Altitude Télécom within Completel, completed in December 2011, which allowed for optimization of staff costs in 2012.

Taxes and Duties

Taxes and duties increased by €1.9 million, from €5.7 million for the year ended December 31, 2011 to €7.6 million for the year ended December 31, 2012. This increase of 33.3% is mainly due to a general increase in the tax burden on French corporations in 2012 and is consistent with the increase of segment EBITDA (+34.6%).

Provisions

Net provisions decreased from €3.3 million for the year ended December 31, 2011 to €1.3 million for the year ended December 31, 2012. The decrease is mainly due to the recording in 2011 of a provision for a redundancy plan relating to the acquisition of Altitude Télécom.

Other Operating Income

Other operating income remained relatively stable from €20.1 million for the year ended December 31, 2011 to €21.1 million for the year ended December 31, 2012.

Other Operating Expenses

Other operating expenses decreased by €9.5 million, or 89.6%, from €10.6 million for the year ended December 31, 2011 to €1.1 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA increased by €25.6 million, or 34.6%, from €74.0 million for the year ended December 31, 2011 to €100 million for the year ended December 31, 2012. This improvement in profitability is mainly due to increased data revenues, as well as decreased purchases and subcontracting services expenses, reflecting synergies captured through the integration of Altitude Télécom into Completel.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the wholesale segment for the years ended December 31, 2011 and 2012.

Wholesale Segment	Year ended December 31, 2011	Year ended December 31, 2012	Change 2012/2011
	(in € millions)		
Revenues	**201.1**	**211.5**	**5.2%**
Purchases and subcontracting services	(100.6)	(103.8)	3.2%
Staff costs and employee benefits expense	(6.6)	(6.7)	1.5%
Taxes and duties	(3.7)	(4.9)	32.4%
Provisions	0.6	(0.4)	(166.7)%
Other operating income	0.1	0.0	NA
Other operating expenses	—	—	—
Operating income before depreciation and amortization (EBITDA)	**90.9**	**95.7**	**5.3%**
EBITDA margin rate	*45.2%*	*45.2%*	*0.0%*

Revenue

Wholesale segment revenues increased by €10.4 million, or 5.2%, from €201.1 million for the year ended December 31, 2011 to €211.5 million for the year ended December 31, 2012. This increase was due to increase in the voice business and fiber wholesale partly offset by the decrease in data and DSL white labels.

Voice revenues increased by €23.2 million from €74.9 million for the year ended December 31, 2011 to €98.1 million for the year ended December 31, 2012. This increase reflected favorable contracts signed with Bouygues Télécom following the unexpected changes in telecommunications operators' needs for voice termination resulting from Free's entry into the mobile market in January 2012. The Numericable Group was able to temporarily provide voice termination services to Bouygues pending the latter's development of its own capacity to interconnect with Free's new mobile customer base. The resulting increase in volume more than offset the decrease in regulated call termination rates in July 2011.

The increase in voice revenues was partially offset by decreases in data and DSL white label revenues.

Data revenue decreased from approximately €41 million in 2011 to €30 million in 2012. Excluding a one-off element in 2011 a payment of €19 million by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—segment data revenue for the fiscal year ended December 31, 2012 would have increased by approximately €8 million.

DSL white label revenues decreased by approximately €10 million, from approximately €59 million in 2011 to approximately €49 million in 2012. This decrease is due to a reduction in the number of DSL white label end-users in 2012 following the acquisition by Bouygues Télécom of Darty's telecommunications business in July 2012 and the subsequent migration of certain Darty white label customers from the Numericable Group's network to Bouygues Télécom's network. See ''*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*''.

Finally, fiber wholesale revenues increased by €8.2 million, essentially driven by a stronger need for fiber in the B2B segment. These intra-group revenues are eliminated in combination.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €3.2 million or 3.2% to €103.8 million, for the year ended December 31, 2012 compared to €100.6 million for the year ended December 31, 2011. This slight increase is a result of the Numericable Group providing call termination services to Bouygues Télécom as described in ''—Wholesale Segment'' on segment revenue and reflects termination costs paid by the Numericable Group to Free for such services.

Staff Costs and Employee Benefits Expenses

Staff costs remained stable at €6.6 million for the year ended December 31, 2011 compared to €6.7 million for the year ended December 31, 2012.

Taxes and Duties

Taxes and duties increased from €3.7 million for the year ended December 31, 2011 to €4.9 million for the year ended December 31, 2012, primarily as a result of the increased tax burden on French corporations in 2012.

Provisions

Net provisions amounted to €0.4 million for the year ended December 31, 2012 and consisted of provisions for potential service claims.

Operating Income Before Depreciation and Amortization

Operating income before depreciation and amortization increased by €4.8 million, or 5.3%, from €90.9 million for the year ended December 31, 2011 to €95.7 million for the year ended December 31, 2012, primarily reflecting the increased interconnection business generated by Free's entry into the mobile telephony market.

Reconciliation of EBITDA and Adjusted EBITDA

	Year ended December 31, 2012	Year ended December 31, 2013
	(in millions of euros)	
EBITDA	**592.3**	**560.1**
Debt-refinancing related advisory fees[(a)]	7.4	4.9
Acquisition-related restructuring costs[(b)]	2.5	1.4
Provisions/costs for tax and social security audits	0.6	11.3
Exceptional charge due to Orange[(c)]	0.1	7.2
Exceptional charge due to Free[(d)]	—	6.1
CVAE[(e)]	11.9	12.7
Accelerated depreciation of equipment[(f)]	5.2	14.7
Penalties[(g)]	1.0	—
Costs related to the share option plan	—	3.6
Adjusted EBITDA	**620.9**	**615.9**

(a) Advisory fees paid in connection with the Numericable Group's refinancing transactions (classified in other operating expenses).

(b) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Télécom (classified in purchases and subcontracting services and staff costs and employee benefit expense).

(c) Exceptional charge recognized in 2012 for the €1million reserved for the litigation in connection with the patching rack rented to France Telecom; Exceptional charge recognized in 2013 for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce.

(d) Exceptional charge recognized primarily in 2013 for the €6 million penalty relating to the dispute with Free (see Section 20.7.2.3, ''Dispute with Free relative to the advertising of mobile services''.

(e) As from January 1, 2010, the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value-added levy, partially replaced the former local business tax (*taxe professionnelle*) (classified in taxes and duties).

(f) Non-cash charges resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning customers and (ii) the transfer of the remaining net accounting value of the assets returned to municipal governments in connection with the exiting of DSP contracts.

(g) Penalties payable to SFR as a result of a delay incurred in the deployment of vertical fiber networks pursuant to a fiber deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

Liquidity and Capital Resources of the Numericable Group

The Numericable Group's principal financing needs include its working capital requirements, capital expenditures, interest payments and debt repayments.

The Numericable Group's principal source of liquidity on an ongoing basis has been its operating cash flows. The Numericable Group's ability to generate cash in the future from operations will depend on its operating performance which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Numericable Group's control. The Numericable Group maintains cash and cash equivalents to fund the ongoing requirements of its business. The Numericable Group holds cash only in euro.

As of the date of this offering memorandum, the Numericable Group had €2,638 million of debt outstanding which will be refinanced in connection with the Transactions. Following the completion of the Transactions, the Numericable Group will have €11,640 million of debt comprising €6,040 million (equivalent) of Notes and €5,600 million (equivalent) of borrowings under the Numericable Group Term Loan. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

	Period ending December 31,					
	2014	2015	2016	2017	2018 or later	Total
	(€ in millions)					
Numericable Group Term Loan	—	56	56	56	5,432	5,600
Notes	—	—	—	—	6,040	6,040
Total	—	56	56	56	11,472	11,640

The Numericable Group estimates that its financing needs for 2014 will consist primarily of its working capital requirements (see ''—*Financing of Working Capital Requirements*''), capital expenditures, interest payments and debt repayments. Further to the Transactions as contemplated in this offering memorandum, the Numericable Group will have available, if required and subject to certain conditions, €750 million under the Numericable Group Revolving Credit Facilities Agreement.

Financial Resources

Overview

In the past, the Numericable Group has principally relied on the following sources of financing:

- Cash flow from operating activities, which amounted to €577.1 million, €531.0 million and €570.3 million in 2011, 2012 and 2013, respectively;
- Cash on hand. Cash and cash equivalents at December 31, 2011, 2012 and 2013 totaled €40.6 million, €8.0 million and €101.4 million, respectively. See Note 20 ''Cash and cash equivalents'' to the Numericable Group's consolidated financial statements included elsewhere in this offering memorandum. The significant increase in cash on hand as of December 31, 2013 is tied to the increase in capital in November 2013, of which only a portion was used to repay a portion of the February 2012 Notes and the October 2012 Notes. The remaining cash was used by the Numericable Group for its general financing needs, including its organic growth (in particular the deployment of fiber in the network).

  Indebtedness, which currently consists of the Ypso France Senior Facility Agreement (both direct lending by banks and on-lending of the proceeds of bond issuances), NC Numericable's perpetual subordinated notes, finance leases, deposits received from customers and bank overdrafts. See Note 22 to the Numericable Group's consolidated financial statements included elsewhere in this offering memorandum.

Further to the Transactions contemplated in this offering memorandum, the Numericable Group will rely on the following sources of financing:

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued a maximum €23.65 million principal amount (excluding capitalized interest) of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) (''TSDI'') to Vilorex, a subsidiary of GDF Suez of which a €23.7 million principal amount has been subscribed. The TSDI are subordinated by law pursuant to Article L.228-97 of the French Commercial Code and expressly subordinated to part of the financing of the investments referred to below which was made available by NC Numericable S.A.S. The proceeds of the TSDI 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 TSDI bear interest at 7% per annum. Interest has been capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. If those triggers are reached and the TSDI are not prepaid, the interest rate steps up to 9% per annum. The TSDI contain a safeguard clause in connection with these triggers. From September 1, 2015 to September 1, 2019, the parties can call for a meeting to adjust the triggers so as to restore the economic balance which was contemplated at the time of issuance of the TSDI. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice in a minimum amount of €5 million. The TSDI are not transferable without NC Numericable S.A.S.'s consent. NC Numericable has a call option to purchase all of the outstanding TSDI for €1 from September 1, 2035. The TSDI must be prepaid in full if the SIPPREC concessions are transferred to a third party and that third party does not assume all of the rights and obligations of NC Numericable S.A.S. under the TSDI.

Finance Leases

In November 2013, NC Numericable and Completel concluded a general finance lease with BNP Paribas Rental Solution relating to the purchase and the subsequent lease of various equipment provided by telecom equipment providers such as Huaweï, Alcatel or others (aside from Cisco) for a three-year term.

In May and June 2013, NC Numericable S.A.S. entered into a sale-and-leaseback transaction, for a period of 36 months, with respect to LaBox set-top boxes with Lease Expansion for €12.7 million and €5.9 million, respectively.

The Numericable Group entered into a general lease agreement with Cisco in January 2011, which covers most equipment the Numericable Group sources from Cisco (consisting primarily of data network parts and CPEs, such as servers), with a lease term of 3 years.

In 2001, NC Numericable S.A.S. entered into a finance lease with a 15-year term with respect to an office building located in Champs-sur-Marne. The Numericable Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

In addition, several companies of the Numericable Group have entered into various finance leases with respect to real property (for terms generally between 20 and 30 years) and office equipment (typically for terms of four years).

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (equal to a specific percentage).

As of December 31, 2013, the Numericable Group's total liability (present value of minimum lease payments) under finance leases amounted to €41.5 million. The average effective interest rate on finance leases was approximately 4.42% for the year ended December 31, 2013 compared to 3.24% for the year ended December 31, 2012. This increase in the average rate is essentially explained by the cost of the new financing entered into with Lease Expansion. See Note 30.2 to the Numericable Group's financial statements included elsewhere in this offering memorandum.

Security Deposits Received from Customers

Security deposits received from customers amounted to € 51.9 million and €44.5 million as at December 31, 2013 and 2012, respectively. These deposits are made when customers receive equipment from the Numericable Group, and the increase in the amount of deposits (already noted in 2012) from December 31, 2012 to December 31, 2013 reflects the increased deposits paid by customers for LaBox due to increased subscriptions including LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

Numericable Group Revolving Credit Facilities Agreement

Further to the Transactions as contemplated in this offering memorandum, the Numericable Group will have available, if required and subject to certain conditions, €750 million under the Numericable Group Revolving Credit Facilities Agreement. The Numericable Group Revolving Credit Facilities Agreement will require us to maintain compliance with a consolidated senior secured leverage ratio, calculated on a net basis, and only tested at drawdown and to the extent there are loans outstanding under the Numericable Group Revolving Credit Facilities Agreement, at the end of each financial quarter of no more than 4:1 (or 5:1 if certain conditions including the completion of the Acquisition are not met). Furthermore, the Numericable Group's ability to maintain compliance with further financial covenants is dependent on the Numericable Group's ability to maintain or increase EBITDA and to achieve adequate returns on its capital expenditures and acquisitions. In addition, the Numericable Group's ability to obtain additional debt financing is limited by the incurrence leverage covenants under the Notes, the Numericable Group Revolving Credit Facilities Agreement, the Numericable Group Term Loan and could further be limited by any additional debt instruments the Numericable Group may enter into.

No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund the required repayment.

Other Financial Liabilities

Shareholder Financing

All of the shareholder financings were cancelled or capitalized at the time of the initial stock market listing of Numericable Group and of the contributions made to the latter. As at December 31, 2013, there was no longer any existing shareholder loan.

The following table presents the net financial debt of the Numericable Group at December 31, 2012 and December 31, 2013:

	At December 31, 2012	At December 31, 2013
	(in € millions)	
Financial debt	3,041.1	2,766.1
Cash and cash equivalents	8.0	101.4
Net financial debt	**3,049.1**	**2,867.5**

For additional information regarding the Notes, please see ''*Description of Notes*'' and for additional information regarding the Numericable Group's financial liabilities, please see ''*Description of Other Indebtedness*.''

Presentation and Analysis of the Main Categories of Use of the Numericable Group's Cash

Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, renovating, upgrading capacity, expanding and maintaining the Numericable Group's network (fiber, backbone and DSL), directly or, in the case of certain network upgrades, through public-private partnerships;
- *Customers:* capital expenditures linked to in-home B2C and on-site B2B equipment (high-speed routers and TV decoders) as well as in-home wiring for new B2C clients and the creation of fiber links between B2B sites;
- *Service Platforms:* investment in television and fixed-line telephony platforms; and
- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments.

The Numericable Group's capital expenditures in 2011, 2012 and 2013 amounted to €242.7 million, €285.7 million and €319.8 million, respectively. For additional information regarding the Numericable Group's historical, ongoing and planned future capital expenditures, see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Capital Expenditures*''.

Interest Payments and Debt Repayments

Much of the Numericable Group's cash flow goes to servicing and repaying its significant indebtedness. The Numericable Group made interest payments of €154.8 million, €152.1 million and €180.6 million, respectively, in 2011, 2012 and 2013. It also made debt repayments of €335.1 million and €957.2 million and €987.4 million, respectively, in 2011, 2012 and 2013. The high level of debt repayments in 2012 reflects the Numericable Group's refinancing of its debt in such year, in which it issued €831.0 million of new debt. Similarly, the high level of debt repayment in 2013 reflects the repayments of the Altice B2B France Sub-Group's debts, certain floating rate notes that were issued on October 25, 2012 and 35% of the October 2012 Notes with the proceeds of the capital increase following the initial public offering and implementation of Facility D.

Financing of Working Capital Requirements

Working capital requirements primarily correspond to the value of inventory plus trade receivables and other receivables minus trade payables and other payables. Structurally, the Numericable Group's working capital requirements reflect differences in its business. In the B2C segment, the Numericable Group releases working capital because its B2C customers have shorter payment terms (generally 5 days) than its suppliers (generally 60 days), while in the B2B segment, the Numericable Group consumes working capital because its B2B customers have longer payment terms. The Numericable Group generally finances its working capital requirements through its cash flow from operations.

In 2011, the Numericable Group released €5.4 million of working capital. In 2012, the Numericable Group consumed €31.9 million of working capital. In the 2013, the Numericable Group released €20.6 million of working capital.

Contractual Obligations

The table below sets out the Numericable Group's contractual commitments and obligations as of December 31, 2013, excluding in particular future interest and commitments relating to employee benefits and equivalent commitments, which are detailed in Note 23 to the Numericable Group's consolidated annual financial statements included elsewhere in this offering memorandum, excluding future interest (*see* ''*—Financial Liabilities*'').

	< 1 year	Maturity 1–5 years	> 5 years	Total December 31, 2013
		(in thousands of euros)		
Loans and financial liabilities	64,249	2,283,075	418,818	2,766,142
Operating lease arrangements	10,381	34,798	12,978	58,156
Total	**74, 630**	**2,317,873**	**431,796**	**2,824,298**

The Numericable Group does not have any material irrevocable purchase obligations.

The amount on the line ''operating lease obligations'' corresponds to the amount of the minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to property and vehicle lease commitments as well as operating leases of TV programs. Leases involving equipment and network IRU (usage rights on local loop, backbone) or other rental contracts (rights of way) were not individually considered material.

In addition, the Numericable Group has given certain guarantees in connection with the Ypso France Senior Facility Agreement, including compliance with financial covenants, conditions regarding the acquisition, disposal, use and control of assets. In addition, all of the assets and shares of the Numericable Group's subsidiaries have been pledged to the lender banks under the Ypso France and Senior Facility Agreement. These guarantees and security will be released in connection with the Refinancing Transactions. See ''*Description of Other Indebtedness*''.

The Numericable Group has also committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France. In addition, through its subsidiary Sequalum, the Numericable Group has committed, subject to certain conditions, to deploy 2,600 km of fiber cables and reach 827,900 apartments and offices in the Hauts-de-Seine department. See ''*Business of the Numericable Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*''.

To operate telecommunications networks, the Numericable Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Numericable Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Numericable Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

In 2010, the Numericable Group entered into long-term MVNO agreements for voice and data transmission with Bouygues Télécom, pursuant to which the Numericable Group provides mobile telephony services to B2C customers under the Numericable Group's own brand but through the nationwide network of Bouygues Télécom, pursuant to which the Numericable Group is obligated to pay a flat fee corresponding to a minimum level of consumption. See ''*Business of the Group—Material Contracts—MVNO Agreements*''. In 2014, we entered into a LT MVNO agreement with SFR.

The Numericable Group has also entered into certain operating leases, including property and vehicle leases, leases involving equipment and network IRUs and operating leases and agreements to purchase TV programs. See note 29 to the Numericable Group's consolidated financial statements included elsewhere in this offering memorandum.

Cash Flows for the Years Ended December 31, 2011, 2012 and 2013

The table below summarizes the Numericable Group's consolidated cash flow for the year ended December 31, 2013 and the combined cash flows for the years ended December 31, 2011 and 2012.

	For the year ended December 31,		
	2011	2012	2013
	(in € thousands)		
Net cash provided (used) by operating activities	577,127	530,960	570,279
Net cash provided (used) by investing activities	(237,652)	(285,217)	(342,657)
Net cash provided (used) by financing activities	(489,705)	(278,327)	(134,253)
Net cash from discontinued operations*	156,258	—	—
Total net increase (decrease) in cash and cash equivalents	**6,027**	**(32,584)**	**93,369**

* Cash flow from discontinued operations in 2011 reflects revenue from the disposal of certain business in Belgium (gross purchase price of €360 million less Coditel debt).

Net cash provided by operating activities

The table below summarizes the Numericable Group's consolidated net cash provided by operating activities for the year ended December 31, 2013 and the combined net cash provided by the operating activities for the years ended December 31, 2011and 2012.

	For the year ended December 31,		
	2011	2012	2013
	(in € thousands)		
Cash flow from operations before changes in working capital and income tax	570,651	566,213	553,918
Changes in working capital	5,392	(31,911)	20,653
Income tax paid	1,083	(3,342)	(4,292)
Net cash provided by operating activities	**577,127**	**530,960**	**570,279**

Cash flow from operations before changes in working capital and income tax

Cash flow from operations before changes in working capital and income tax decreased by €4.4 million, or 1.2%, from a cash inflow of €570.7 million in the year ended December 31, 2011 to a cash inflow of €566.2 million in the year ended December 31, 2012. This decrease was driven by a €17.4 million increase in other financial expenses, reflecting fees incurred in connection with the refinancing of part of Ypso's debt in 2012 (including the issuance of the Notes, the establishment of new credit facilities and amendments to, and extension of the maturity of, the Ypso France Senior Facility Agreement), partially offset by a €17.2 million increase in net income from continuing operations resulting from a €29.1 million increase in EBITDA.

Cash flow from operations before changes in working capital and income tax decreased by €12.3 million, or 1.7%, from a cash inflow of €566.2 million in the year ended December 31, 2012 to a cash inflow of €553.9 million in the year ended December 31, 2013. This decrease was driven by a €28.2 million increase in other financial expenses, resulting from the premiums paid in connection with early repayment of the February 2012 Notes, 35% of the October 2012 Notes and certain floating rate notes that were issued on October 25, 2012, compounded by a decrease in Adjusted EBITDA of €3.9 million.

Change in working capital requirements

In 2011 and 2012, the Numericable Group made an exceptional working capital investment, related to the termination of a free share plan of Completel Europe NV, which resulted in exceptional cash outflows of €32.8 million in 2011 and €16.4 million in 2012. The free share plan involved grants of free shares for which the pricing and therefore the amount of liabilities were determined in 2009 and recorded in current liabilities. In 2011 and 2012, the Numericable Group made cash payments to the holders to terminate the plan, resulting in the exceptional cash outflows.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, due to increased customer acquisitions expenses in the B2C segment resulting from a larger client base as well as the €16.4 million outflow related to the termination of the free share plan. In the B2C segment, the acquisition of new clients leads to installation and set-top box-related costs, as well as cash outflows.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, compared to a cash inflow of €20.5 million in the year ended December 31, 2013. By excluding the cash outflow related to the termination of the free share plan (€16.4 million), the Numericable Group would have recorded a cash outflow limited to €15.5 million in 2012. The year ended December 31, 2012 was exceptional for the change in working capital requirements due to increased subscriber acquisition costs resulting from a larger client base. The cash inflow was exceptionally high in 2013 due to term billing adjustments.

Income tax paid

Income tax paid represented a cash outflow of €1.1 million in 2011 €3.3 million in 2012 and €4.3 million in 2013. The increase in 2012 was primarily due to the increased tax burden on French corporations in 2012 as well as a new limitation on usage of tax loss carry-forwards, and the first taxable profits at the level of Altice B2B France. The Ypso Group also had a negative taxable result in 2012 due in particular to fees in relation to the various 2012 refinancings. The increase is principally due to greater taxes paid by the Altice B2B France Group, while the Ypso France Group did not pay taxes following the various refinancing operations.

Net cash used by investing activities

The table below summarizes the Numericable Group's consolidated net cash provided (used) by investing activities for the year ended December 31 2013 and the combined net cash provided (used) by investing activities for the year ended December 31, 2012 and 2011, respectively.

	For the year ended December 31,		
	2011	**2012**	**2013**
		(in € thousands)	
Net capital expenditures[(1)]	(237,694)	(281,771)	(314,752)
Net financial investments	41	(3,446)	(27,905)
Net cash (used) by investing activities	**(237,652)**	**(285,217)**	**(342,657)**

(1) Represents the sum of (i) PPaE and intangible assets, (ii) proceeds from disposals of PPaE and intangible assets, and (iii) investment subsidies and grants received.

Net capital expenditures

Net capital expenditures are capital expenditures net of proceeds from the disposal of tangible and intangible assets and investment subsidies and grants received.

Cash used in net capital expenditures increased €44.1 million, or 18.5%, from a cash outflow of €237.7 million in 2011 to a cash outflow of €281.8 million in 2012, due to higher capital expenditures (up €48.4 million) in connection with the launch of LaBox and the acceleration in fiber deployment in 2012 and lower disposal proceeds (down €1.2 million), partially offset by higher subsidies (up €5.6 million) received in connection with the DSP 92 project.

Cash used in net capital expenditures increased by €33.0 million, or 11.7%, from a cash outflow of €281.8 million in 2012 to a cash outflow of €314.8 million in 2013, due to higher capital expenditures (up €30.2 million) in connection with a full year of deployment of LaBox instead of the 5-month deployment in

2012 (launched commercially in the third quarter of 2013) and with the continuous acceleration in fiber deployment in 2013, lower subsidies (down €4.0 million) received in connection with the DSP 92 project, partially offset by higher disposal proceeds (up €1.3 million).

Net financial investments

Net financial investments comprise acquisition of subsidiaries (net of cash received) net of disposals of subsidiaries (net of cash paid), plus acquisitions of other financial assets net of disposals of other financial assets.

Cash used by net financial investments increased by €3.4 million from zero cash inflow in 2011 to a cash outflow of €3.4 million in 2012 due to performance guarantees given in the context of the continuation of DSP 92 network's deployment (see ''*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*''). The Numericable Group also bought out the minority shareholders of Sequalum in 2012.

Cash used by net financial investments increased from €3.4 million cash outflow in 2012 to a cash outflow of €27.9 million in 2013. The Numericable Group acquired LTI Télécom in October 2013, as well as Auchan and Valvision's subscribers in March and June 2013, respectively, whereas no acquisitions were made in 2012.

Net cash used by financing activities

The table below summarizes the Numericable Group's consolidated net cash provided by financing activities for the years ended December 31, 2011, 2012 and 2013.

	For the year ended December 31,		
	2011	2012	2013
	(in € thousands)		
Share capital increase	0	0	236,49
Issuance of debt	172	830,975	797,223
Repayment of debt	(335,085)	(957,189)	(987,42)
Interest rate swap agreements	*(20,962)*	*0*	*0*
Interest on SFA debt excluding the Notes	*(124,189)*	*(106,513)*	*(93,157)*
Interest on Notes	*0*	*(47,412)*	*(84,589)*
Other interest	*(9,640)*	*1,813*	*(2,800)*
Total interest paid	(154,791)	(152,113)	(180,546)
Net cash (used) by financing activities	**(489,705)**	**(278,327)**	**(134,253)**

Issuance of debt

Issuance of debt totaled €0.2 million, €831.0 million and €797.2 million in 2011, 2012 and 2013, respectively.

In 2011, the Numericable Group did not materially draw on any debt instruments.

In 2012, Numericable Finance & Co. S.C.A. issued €831.0 million of debt (net of OID (original issue discount) and fees), comprising issuance of the February 2012 Notes, the October 2012 Notes and certain floating rate notes. The net proceeds of these Notes were used to refinance existing senior debt of Ypso France.

In 2013, the Numericable Group drew €800 million under the Ypso France and Altice B2B France Senior Facility Agreements and entered into new sale-leaseback agreements.

Repayment of debt

The Numericable Group repaid €335.1 million, €957.2 million and €987.4 million of debt in 2011, 2012 and 2013, respectively.

In 2011, the Numericable Group repaid €335.1 million due under the Ypso France and Altice B2B France Senior Facility Agreements, as the Numericable Group made mandatory or voluntary repayments relating to the sale of Coditel. The Numericable Group used the proceeds from the sale of Coditel to finance €156.3 million of the repayments and financed the remainder (€158.3 million) with cash from operations.

In 2012, the Numericable Group repaid €117.1 million under the Ypso France Senior Facility Agreement with cash from operations and €840 million with the proceeds of the Notes.

In 2013, the Numericable Group repaid €32.8 million under the Ypso France Senior Facility Agreement (in accordance with its obligations), €479.8 million under the Senior Secured Notes and €453.9 million due under a previous senior credit facility, which was cancelled in full.

Interest paid

The Numericable Group paid €154.8 million in interest in 2011.

The Numericable Group paid €152.1 million in interest in 2012, a slight decrease as compared to 2011. This decrease reflected the termination in June 2011 of the cash-consuming variable-to-fixed interest swap and the lower amounts due under the Ypso France and Altice B2B France Senior Facility Agreements following repayments in 2011, partially offset by the increase in EURIBOR between 2011 and 2012, the issuance of the Notes in 2012 and the incurrence of the Additional C1 Facility Loan, which bear higher interest rates than the debt that was repaid with the proceeds thereof, and a margin increase on the Ypso France Senior Facility Agreement following the extension of certain tranches pursuant to the February 2012 refinancing.

The Numericable Group paid €180.5 million in interest in 2013, an increase of €28.4 million as compared to 2012. This increase reflects the general increase in the cost of the Ypso group's debt following the repayment of low margin facilities in 2012 through the issuance of the February 2012 Notes, the October 2012 Notes, certain floating rate notes on October 25, 2012 and an increase in the margin of the Ypso France Senior Facility Agreement following the effectiveness in February 2012 of a September 2011 amendment thereto.

Off-Balance Sheet Commitments

The Numericable Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, liquidity, capital expenditure or capital resources.

Capital Expenditures

Historical Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, expanding, increasing capacity, extending and maintaining the Numericable Group's network (fiber, backbone and DSL), either directly or, in the case of certain network expansion projects, through public-private partnerships;
- *Customers:* capital expenditures linked to in-home B2C equipment installation and on-site B2B equipment installation (broadband routers and set-top boxes), as well as wiring for new B2C customers and the creation of new fiber links between B2C sites;
- *Service Platforms:* investment in television and fixed-line telephony platforms, and
- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments, such as the upkeep of the Numericable Group's property and administrative, technical and commercial investments, as well as own work capitalized.

Between 2008 and 2012, the Numericable Group incurred capital expenditures of approximately €1.4 billion. For the year ended December 31, 2012, the Numericable Group incurred capital expenditure of €281.8 million, compared to €237.7 million and €239.1 million (net of subsidies received) during the years ended December 31, 2011 and 2010, respectively. For the year ended December 31, 2013, the Numericable Group incurred capital expenditures of €314.7 million.

The table below sets out the amount of capital expenditures by type: (i) capital expenditures for the maintenance of the network, i.e., ''maintenance'' capital expenditures (in other words, capital expenditures required regardless of the commercial activity in order to serve existing clients with the same quality and service (e.g., information systems, electrical systems, cooling systems)), (ii) capital expenditures for connecting new customers (customer equipment (e.g., set-top boxes), connection costs, etc.), (iii) capital expenditures for the upgrading and renovation of the network (including the transition to EuroDocsis 3.0 and DSP 92), for the 2011-2013 period.

	Maintenance Capital Expenditures	New Customer Capital Expenditure	Network Upgrade Capital Expenditure
2013	125.4	152.4	42.1
2012	107.4	145.7	32.5
2011	90.5	138.2	14.0

Approximately half of the Numericable Group's capital expenditures are comprised of capital expenditures in the new customer category, which vary depending on the acquisition of new B2C and B2B clients. The Numericable Group's capital expenditures are therefore highly dependent on its business activities as well as the pace of network renovations, in particular with respect to fiber, as well as potential public-private partnerships.

The Numericable Group's main existing public-private partnership is DSP 92, run through its subsidiary Sequalum (see ''*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*''). Formed in 2008, Sequalum's purpose is the creation, financing, marketing, deployment and technical and commercial operation of a very high speed FTTH fiber network in the Hauts-de-Seine district. In the first table above, the Numericable Group's capital expenditures in connection with the DSP 92 project, excluding certain development work which is capitalized and included in the ''Other'' category, are included in the ''Network'' category.

The Numericable Group has also made acquisitions. See ''*Business of the Group—History and Development of the Group*''.

Ongoing Capital Expenditures

The Numericable Group expects the annual amount of its capital expenditures excluding network upgrades to be approximately €300 million in 2014.

Acquisition of LTI Télécom

The Numericable Group acquired 100% of LTI Télécom's shares on October 31, 2013. The acquisition price was in the range of €20 to €30 million.

LTI Télécom is a telecommunications operator founded in 1998 and active in the B2B market. It provides fixed and mobile telephony solutions and Internet access to small and medium-sized companies of 5 to 250 employees in France. It relies on the networks of other French operators, including Orange, SFR and Completel. LTI Télécom offers its services through a direct distribution network (4 fully-owned agencies in large cities) and a broad indirect distribution network (about a hundred partners in France).

LTI Télécom has approximately 9,556 clients, 28,000 active fixed lines, 2,800 active high speed links, and 5,000 active mobile lines. The table below sets out LTI Télécom's key operating data:

	2011	2012	2013
ARPU	229.00	241.00	271.00
Number of customers	8,213	8,943	9,553

For the year ended December 31, 2012, LTI Télécom generated revenues close to €30 million and an operating margin (ratio of operating income to revenue) around 10%.

The acquisition of LTI Télécom by the Numericable Group will allow it to pursue the consolidation of the B2B French market, strengthening its position therein with respect to the midmarket, in which the Numericable Group's coverage is currently small, through a partner network complementary to its own. It is expected that capital expenditure LTI Télécom will remain very low in the future, as customers mainly include SMEs, which have very low capital expenditure requirements.

Future Capital Expenditures

The Numericable Group expects to continue to deploy fiber selectively going forward, where a densification of its fiber network is necessary to improve service to customers. The Numericable Group generally upgrades the network to EuroDocsis 3.0 (allowing full triple-play services, including digital TV and VOIP and broadband speed of up to 200 Mbps) at the same time as the network is upgraded to FTTB. The Numericable Group intends to upgrade 700,000 and 800,000 homes to EuroDocsis 3.0 by the end of 2014. The costs of such upgrades vary, but on average amounts to approximately €50 per home passed.

In addition, the Numericable Group will continue to invest in the DSP 92 project, phase II of which began in mid-2013 and should continue until 2016.

The Numericable Group estimates that the average annual amount of capital expenditures excluding network upgrades should be approximately €300 million during the 2014-2016 period with an estimated capital expenditure of €80 million for the year ended December 31, 2013.

Qualitative and Quantitative Analysis of Market Risk

The Numericable Group put in place an internal control department within the Ypso France Group in 2008 and within the Altice B2B France Group in 2009. Since 2012, driven by the Chairman and Chief Executive Officer of the Numericable Group, the Numericable Group has put in place new tools to provide the Numericable Group with greater overall visibility on its key processes. Evaluation of the associated risks and the relevant internal control procedures addressing such risks are a key element of its internal control system.

Exchange Rate Risk

Following the Transactions as contemplated in this offering memorandum, the Numericable Group's business will be exposed to fluctuations in currency exchange rates. The Numericable Group's primary transactional currency is the euros, however, following the Transactions, it conducts, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Although the Numericable Group's existing debt is denominated euros, under the Numericable Group Term Loan, it will have debt denominated in U.S. dollars and the amounts incurred in U.S. dollars will not necessarily match the amount it will earn in the corresponding currency. The Numericable Group seeks to manage such transactional foreign currency exposures through its hedging policy in accordance with its specific business needs. As of December 31, 2013, the Numericable Group did not have any derivative instruments outstanding. However, in connection with the Transactions, the Numericable Group expects to enter into derivative instruments to secure foreign currency liabilities and to reduce foreign currency exposure.

Interest Rate Risk

Following the Transactions, the Numericable Group is exposed to the risk of fluctuations in interest rates under the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities which are indexed to the Euro Interbank Offered Rate (''EURIBOR'') and, in the case of U.S. dollar denominated term loans, London Interbank Offered Rate (''LIBOR''), plus an applicable margin. EURIBOR could significantly rise in the future, leading to an increase in the Numericable Group's interest expense and reducing cash flow available for capital expenditures and hindering its ability to service the debt under certain debt instruments. The Numericable Group's debt instruments do not contain covenants requiring it to hedge all or any portion of its floating rate debt. Although the Numericable Group has in the past and expects to continue to enter into interest rate swap agreements and interest rate cap agreements, there can be no assurance that the Numericable Group will be able to adequately manage its exposure to interest rate fluctuations in the future or continue to do so at a reasonable cost.

To manage this risk effectively, the Numericable Group has in the past and expects to continue to, when it deems appropriate, enter into interest rate swap agreements and interest rate cap agreements. As of December 31, 2013, the Numericable Group was party to interest rate cap agreements with a total notional amount of €600 million. Such agreements enable the Numericable Group to mitigate, on one hand, the risk of fluctuating interest rates on the fair value of the Numericable Group's fixed rate debt and, on the other hand, cash flow exposures on the Numericable Group's floating rate debt.

Given the breakdown of the Numericable Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a full-year impact of +/− €13 million on the Numericable Group's net income (loss) for the year ended December 31, 2012.

Given the breakdown of the Numericable Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a half-year impact of +/− €11 million on the Numericable Group's net income (loss) for the year ended December 31, 2013.

Liquidity Risk

The Numericable Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching as much as possible the maturity profiles of financial assets and liabilities.

Credit and/or Counterparty Risk

Credit and/or counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Numericable Group.

Financial instruments that could potentially subject the Numericable 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 each of the consolidated and combined financial statements, respectively, which is net of depreciation, represents the Numericable Group's maximum exposure to credit risk.

The Numericable Group believes that it has an 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 and located across France. An analysis of credit risk on net trade receivables past due is provided in note 19 to the consolidated financial statements for the year ended December 31, 2013, included elsewhere in this offering memorandum.

The Numericable Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above. The Numericable Group enters into interest rate contracts with leading financial institutions and currently believes that the risk of these counterparties defaulting is extremely low, since their credit ratings are monitored and financial exposure to any one financial institution is limited.

In 2008, at the time Lehman Brothers filed for bankruptcy, part of the Numericable Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the interest rate swaps. The Numericable Group currently has a damages claim against Lehman Brothers for a total amount of €11.2 million. In 2012, the Numericable Group received a first payment of €2.8 million in relation to this claim. In 2013, the Group received payments of €4.5 million and €2.6 million in relation to this claim. A final payment was received in November 2013, and all amounts accepted by the administrator have been paid to Ypso France (a total of 8.9 million pounds sterling, representing approximately 93% of the initial amount claimed). The Numericable Group does not expect any additional payments from the administrator of the Lehman Brothers bankruptcy.

Insurance

The Numericable Group has insurance coverage under a general liability insurance policy (*responsabilité civile générale*) and a property insurance policy covering, among other things, certain operational and business interruption liabilities (*dommages aux biens et pertes d'exploitation*). The Numericable Group does not insure against certain operational risks for which insurance is unavailable or which can only be insured at what the Numericable Group believes to be on unreasonable terms. There is also no protection against customer collection risk. The Numericable Group also maintains various policies covering motor vehicle insurance policies, including third-party liability insurance. The Numericable Group has a directors' and officers' liability insurance policy (*responsabilité civile des mandataires sociaux*). The directors' and officers' liability insurance policy has no deductible. In the Numericable Group's view, the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection against the risks faced by the Numericable Group in the locations in which it operates, taking into account the costs for the insurance coverage and the potential risks to business operations. However, the Numericable Group cannot guarantee that no losses will be incurred or that no claims will be filed against the Numericable Group which go beyond the type and scope of the existing insurance coverage. *See* ''*Risk Factors—Risks Relating to the Numericable Group's Industry and Markets—The continuity of the Numericable Group's services is highly dependent on the proper functioning of its IT infrastructure and any failure in such infrastructure could materially adversely affect the Numericable Group's business, financial condition or results of operations*''.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SFR

The following discussion and analysis is intended to assist in providing an understanding of SFR's financial condition, changes in financial condition and results of operations. The discussion is based on SFR's audited combined financial statements as of and for the twelve months ended December 31, 2011, 2012, and 2013, in each case, prepared in accordance with IFRS as issued by the IASB.

Except as the context otherwise indicates, when discussing historical results of operations under ''Business, Market Overview and Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR'', ''SFR'', ''it'' and other similar terms are generally used to refer to the business of SFR.

You should read the discussion under ''Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR'' in conjunction with the combined financial statements of SFR and the accompanying notes in this Offering Memorandum. A summary of the critical accounting estimates that have been applied to SFR's financial statements is set forth below in ''Critical Accounting Estimates.'' This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see ''Risk Factors.''

Presentation of Financial Information

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited combined financial statements of SFR for the periods ended December 31, 2011, 2012 and 2013 (the ''Combined Financial Statements''). The Combined Financial Statements cover the following parameters: (i) the Company (ii) telephony companies in France (iii) entities held directly or indirectly by SFR and its subsidiaries (iv) and Vivendi SA's (''Vivendi'') participation in the telecommunications products and services distribution activity (which will be transferred to the Numericable Group as part of the Transactions).

The Combined Financial Statements are created in accordance with IFRS standards that require 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 management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the Combined Financial Statements 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, SFR has historically operated as a division within Vivendi. Accordingly, the Combined Financial Statements 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 during the periods under review.

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

As SFR's activity evolves towards increased convergence of the activities of the mobile telephone and broadband internet, and fixed revenue services, it will continue to move towards global and unified operations. The chief operating decision-maker checks the results and operating plans, and decides on the distribution of resources at the group level. The group has therefore identified one individual operating sector that corresponds to the criteria of IFRS 8 standard. Similarly, in view of the fact that virtually all of SFR's activity is on French territory, a single geographic segment has been retained. This presentation could be modified in future periods in response to the development of SFR's activities and operating criteria.

Key Factors Affecting SFR's Business

The main factors having an impact on the normal course of SFR's activities and its results include: (i) economic and financial developments in France, (ii) competitive pressures, (iii) large investment expenditure linked in particular to purchase of licenses, (iv) changes in regulatory tariff prices and (v) the implementation of a long-term transformation plan. These factors are further described below.

Economic and Financial Environment in France

SFR generates almost all its revenue in France and is therefore strongly exposed to economic and financial developments in France. The 2011 to 2013 financial periods were marked by almost no economic growth in France, accompanied by a drop in the purchasing power of households and a reduction in corporate expenditure. These elements have affected the results of SFR over this period.

Competition

SFR carries out all its business in the telecommunications sector in France, which is marked by intense and growing competition. In particular, at the start of the 2012 financial period, the French mobile market experienced a significant increase in competition as a result of an entry of a fourth operator, the Iliad Group, which led to a significant increase of low-price offers in the French mobile telecommunications sector. The entry of Iliad Group into the market negatively affected the pricing for our mobile products and the churn rate, as well as our ability to attract new customers during the 2012 and 2013 financial periods.

Network Expenditures

SFR's business requires significant investments for maintenance, modernization and development of its network. In order to develop SFR's businesses and to improve the performance of its network, SFR acquired frequencies granted by the French authorities. The 2011 and 2012 periods were therefore marked by acquisition costs for 4G licenses (the bands 2.6 GHz and 800 MHz); in 2012 these costs represented an amount of €1,065 million. In addition, during the last three financial periods, SFR had to pursue its investments linked to the commitments for the coverage and deployment of the network for its mobile licenses. SFR's capital expenditures in 2011, 2012 and 2013 were €1,809 million, €2,736 million and €1,610 million respectively. For further information, see note 25 of the ''Combined Financial Statements'' contained elsewhere in this Offering Memorandum.

Regulatory Tariffs

An important component of SFR's revenue (accounting for approximately 10% of revenue for 2013, a share which is diminishing) is subject to changes in regulations applicable to the telecommunications sector. This is mainly related to the decrease in income from call termination tariffs on the mobile network of SFR, which are set by ARCEP, and the revenue linked to roaming tariffs in Europe, which are subject to European regulations. The decreases in tariffs implemented by the regulators over the three years 2013, 2012 and 2011 are as follows:

- decrease in regulated prices for mobile call tariff terminations: of 33% on July 1, 2011, of 25% on January 1, 2012, of 33% on July 1, 2012 and of 20% on January 1, 2013;
- decrease in tariffs for mobile roaming on July 1, 2011, 2012 and 2013;
- decrease in prices for SMS call termination tariffs of 25% on July 1, 2011 and of 33% on July 1, 2012; and

- decrease in price of fixed line call terminations of 40% on October 1, 2011, of 50% on July 1, 2012 and of 47% on January 1, 2013.

The table below shows the impact of the regulatory measures on SFR's combined revenue:

	2013	2012	2011	% variation 2013 in comparison with 2012	% variation 2012 in comparison with 2011
	(in millions of euros)				
Combined revenue	10,199	11,288	12,183	−9.7%	−7.3%
Variation excluding regulatory impacts[(a)]				*−7.2%*	*−3.3%*

(a) Excluding price effect of the decreases in the regulated tariff prices detailed above

SFR's Long-Term Transformation Plan

SFR initiated a global transformation plan in 2012 aimed at adapting to developments in the telecommunications market and anticipating the challenges for its business. SFR pursued this transformation plan in 2012 and 2013, adapting its organization to the market developments and retaining its investment capacity in the high speed and mobile sectors. This plan has also contributed to a reduction in the operating costs of SFR by more than €1 billion between the end of 2011 and the end of 2013.

Key Operating Measures

SFR uses several key operating measures, including total mobile customers, total internet customers, mobile acquisition costs and mobile retention costs. None of these terms are measures of performance under the IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financing systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

Operating data

	2013	2012	2011	% of change in 2013 from 2012	% of change in 2012 from 2011
Group					
Total mobile customers (in thousands)[(a)]	21,354	20,690	21,463	+3.2%	−3.6%
Total Internet customers (in thousands)[(b)]	5,257	5,075	5,019	+3.6%	+1.1%
Mobile acquisition costs (in €m)	430	497	602	−13.4%	−17.5%
Mobile retention costs (in €m)	541	634	645	−14.7%	−1.8%
B2C[(c)]					
Total mobile customers (in thousands)[(a)]	14,555	15,057	16,578	−3.3%	−9.2%
Total mobile subscribers (in thousands)[(d)]	11,381	11,194	11,961	+1.7%	−6.4%
Smartphone penetration rate[(e)]	64.1%	51.2%	42.1%	+12.9 pts	+9.1 pts
12-month rolling Mobile ARPU (€ per month)[(f)]	24.1	28.3	31.4	−15.0%	−9.6%
Number of broadband Internet customers (in thousands)[(b)]	5,209	5,039	4,994	+3.4%	+0.9%
Of which FTTH customers (in thousands)	197	126	97	+55.6%	+29.7%
Of which quadruple-play customers (''MultiPack'') (as % of customer base)	45%	35%	24%	+9.8 pts	+11.9 pts
12-month rolling Broadband Internet ARPU (€ per month)[(f)]	32.5	33.3	34.1	−2.6%	−2.1%

(a) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP's definition. The base as at December 31, 2013 integrates a 2013 technical purge of 92 thousand inactive lines, which was related to a migration of SFR's invoicing system (without impact on revenues). The base as at December 31, 2012 is the published base (before the technical purge).

(b) The broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo 1P and 2P customers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Reunion and Mayotte.

(d) Total Mobile subscribers is equal to post-paid subscribers.

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

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

Key Income Statement Items

Revenue

SFR's revenue is principally comprised of the provision for services and equipment sales. The principles for recognition of revenue are described in note 1.3.4 of the appendix to the Combined Financial Statements.

B2C Revenue

B2C Revenue is principally comprised of pre-tax income from sale of retail services and equipment to consumers (fixed and mobile) in metropolitan areas of France and call termination income for traffic to consumer customers of SFR.

B2B Revenue

B2B Revenue comprises pre-tax income from the sales of services to SMEs/VSBs, large businesses and public administrations in metropolitan areas of France, including:

- 3G/4G voice and data mobile services for smartphones, tablets and PCs;
- fixed data services via xDSL technologies or fiber, and business network offers (Virtual Private Networks) which enable connection to the sites of single-site or multi-site businesses;
- fixed telephony services for businesses;
- the Business Entrepreneurs Pack for VSBs, the Business Enterprises Pack for SMEs and the Business Corporate Pack (for large businesses) within the range of unified communications solutions;
- value-added hosting services intended for large account customers, or cloud services intended for SMEs; and
- the revenue associated with communicating objects (Machine to Machine).

Wholesale and Other Revenue

The Wholesale and Other revenue is principally comprised of the following elements:

- revenue generated by the operators division of SFR which covers:
  - revenue generated with virtual mobile operators, who are customers of SFR;
  - revenue generated by roaming foreign visitors on the SFR mobile network (''roaming in''); and
  - revenue from fixed activities including the collection and termination of voice, data and special number traffic on behalf of national and international operators, the resale of national and international connections, or the sale of end-to-end voice services;
- revenue generated by SRR which conducts its activity as fixed and mobile operator in Reunion and Mayotte for consumers and businesses;
- revenue generated by SFR Collectivités and its subsidiaries from regional authorities. The role of SFR Collectivités is to support the strategy of deploying SFR networks and services complementing the needs of the regional authorities; and
- intersegment eliminations.

Costs

The costs of sales are comprised of the purchase of goods, interconnection costs, network operating and maintenance costs, and of the share in staff expenses and associated taxes and duties. Purchases of goods include purchases of mobile handset devices. Commercial and distribution costs include the costs of acquiring customers and developing their loyalty, excluding the mobile handset devices subsidy costs deducted from the revenue, namely distributor remunerations, customer service, advertising and marketing costs. Overhead costs primarily consists of information systems costs, cost structures, and taxes not associated with the costs of sales.

EBITDA

EBITDA, a non-accounting indicator, is considered to be a measure of performance. EBITDA shows the profit generated by SFR'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 SFR 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.

Operating Income

The combined operating result corresponds to the combined EBITDA for SFR, less depreciation and amortization on intangible and tangible assets, other operating expenses, and other operating income, which includes the amortization of subscriber bases recognized during the combining of businesses and restructuring costs.

Financial Expense

The combined financial expense includes financing cost that is composed of interest expenses on loans, which depend on the level of the debt and the average applicable rates. For the periods 2011, 2012 and 2013, this relates primarily to the financial expenses in respect of the shareholder loan for Vivendi. The combined financial result also includes interest income from cash that is primarily comprised of income from investments in cash and cash equivalents and other financial income. Expenses are comprised of default interest, changes in the value of derivative instruments and the effects of accretion connected to debts and provisions (particularly on debt connected to the GSM license, the provision for post-employment benefits and the provision for the refurbishment of sites).

Discussion and Analysis of Our Results of Operations

	2013	2012	2011
	(in millions of euros)		
Revenues	**10,199**	**11,288**	**12,183**
Cost of sales[(a)]	(4,851)	(5,113)	(5,681)
Commercial and distribution costs[(a)]	(1,928)	(1,965)	(1,864)
Selling, general and administrative expense[(a)]	(654)	(909)	(838)
EBITDA	**2,766**	**3,299**	**3,800**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(1,508)
Other operating income	2	11	14
Other operating expense	(169)	(270)	(84)
Operating result	**1,005**	**1,530**	**2,222**
Net financing cost	(229)	(217)	(208)
Other financial income	2	2	8
Other financial expense	(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	(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
Net earnings from operations sold or being sold	—	—	—
Attributable to non-controlling interests	**6**	**6**	**1**
Net earnings from continuing operations	6	6	1
Net earnings from operations sold or being sold	—	—	—

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Analysis and comparison of results for the financial periods ended December 31, 2012 and December 31, 2013

The table below shows the combined income statement of SFR for the financial periods ended December 31, 2012 and December 31, 2013, in millions of euros.

	2013	2012	Variation	Variation in %
	(in millions of €)			
Revenues	**10,199**	**11,288**	**(1,089)**	**−9.7%**
Cost of sales[a]	(4,851)	(5,113)	263	−5.1%
Commercial and distribution costs[a]	(1,928)	(1,965)	38	−1.9%
Selling, general and administrative expense[a]	(654)	(909)	255	−28.1%
EBITDA	**2,766**	**3 299**	**(533)**	**−16.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	−80.6%
Other operating expense	(169)	(270)	102	−37.6%
Operating result	**1,005**	**1,530**	**(525)**	**−34.3%**
Net financing cost	(229)	(217)	(12)	5.5%
Other financial income	2	2	(0)	−16.6%
Other financial expense	(24)	(34)	10	−30.2%
Financial income	**(251)**	**(249)**	**(2)**	**0.8%**
Income from equity affiliates	(12)	(13)	1	−8.5%
Pretax income from continuing operations	**742**	**1,267**	**(526)**	**−41.5%**
Income tax	(315)	(516)	200	−38.8%
Net earnings	**426**	**752**	**(325)**	**−43.3%**
of which				
Attributable to shareholders	**420**	**746**	**(326)**	**−43.7%**
Attributable to non-controlling interests	**6**	**6**	**—**	**6.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

The combined revenue of SFR decreased by €1,089 million (a decrease of 9.7%) from €11,288 million for the period ended December 31, 2012 to €10,199 million for the period ended December 31, 2013. This decrease primarily reflects the impact of decreases in mobile prices linked to severe competition and decreases in tariffs imposed by ARCEP. Excluding the impact of lower tariffs, decided by ARCEP the revenue would have diminished by 7.2%.

As of December 31, 2013, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 756,000 from December 31, 2012. The total number of residential customers subscribing to the broadband Internet rose by 182,000 customers to 5.3 million at December 31, 2013.

Information by market

The changes in combined revenue by market are as follows:

	2013	2012	% variation 2013 in comparison to 2012
	(in millions of euros)		
B2C	6,873	7,974	−13.8%
B2B	1,789	1,871	−4.4%
Wholesale and Other	1,536	1,442	+6.5%
Combined revenue	**10,199**	**11,288**	**−9.7%**

The performance indicators have changed in the following way:

	2013	2012	% variation 2013 in comparison to 2012
Group			
Total mobile customers (in thousands)[(a)]	21,354	20,690	+3.2%
Total internet customers (in thousands)	5,257	5,075	+3.6%
Mobile acquisition costs (in M€)	430	497	−13.4%
Mobile retention costs (in M€)	541	634	−14.7%
B2C[(c)]			
Total mobile customers (in thousands)[(a)]	14,555	15,057	−3.3%
Total mobile subscribers (in thousands)[(b)]	11,381	11,194	+1.7%
Smartphone penetration[(d)]	64.1%	51.2%	+12.9
12-month rolling Mobile ARPU[(e)] (€ per month)	24.1	28.3	−15.0%
Number of broadband internet customers (in thousands)	5,209	5,039	+3.4%
Of which FTTH customers (in thousands)	197	126	+55.6%
Of which quadruple-play customers (''MultiPack'') (in % customer base)	45%	35%	+9.8
12-month rolling broadband Internet ARPU[(e)] (€ per month)	32.5	33.3	−2.6%

(a) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP definition. The total at December 31, 2013 includes a technical purge made in 2013 of 92,000 inactive lines linked to a migration of the invoicing system (without any impact on revenue). The total at December 31, 2012 is the published total (before technical purge).

(b) Total Mobile Subscribers is equal to post-paid subscribers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in Reunion and Mayotte).

(d) Number of customers equipped with smartphones in relation to the total mobile customer base (excluding remote access)

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

B2C

B2C segment revenues decreased by 13.8% to €6,873 million for the year ended December 31, 2013 from €7,794 for the year ended December 31, 2012.

	2013	2012	% variation 2013 in comparison to 2012
	(in millions of €)		
B2C			
Revenue	**6,873**	**7,974**	**−13.8%**
Mobile	4,741	5,809	−18.4%
Landline	2,132	2,165	−1.5%

At the beginning of 2013, SFR implemented a marketing strategy to attract retail mobile customers to new tariff offers. This resulted in a net decrease in churn rate as well as a decrease in revenue linked to the drop of the ARPU, which decreased by 15% between 2013 and 2012.

The lower revenue is attributable to (i) the repositioning of mobile subscribers to new and more competitive tariffs in 2013 (at December 31, 2013, 85% of B2C mobile subscribers are subscribed to offers launched after January 2012) and (ii) the effect in 2013 of the churn of customers during 2012 after the arrival of the fourth mobile telephone operator in January 2012.

In the B2C mobile market, the net growth of subscribers amounted to 279,000 subscribers in 2013. At December 31, 2013, the total number of post-paid mobile subscribers was 11.4 million customers, a growth rate of 2.5%, which is net of a technical purge of 92,000 inactive lines linked to a migration of the invoicing system (with no impact on revenue) compared to December 31, 2012. In the B2C post-paid subscribers segment, SFR recorded in the fourth quarter of 2013 its best net sales performance since the fourth quarter of 2011 and its best month of December for three years. Approximately 80% of gross recruitments in the fourth quarter were ''Carré'' premium offers, particularly the September 2013 launch of an innovative range of customer contracts. For example, 4G contract customers were able to choose an ''Extra'' amongst five premium services and content, enabling customers to benefit fully from mobile high speed: iCoyote (driving aid), Napster (music), CanalPlay (films), Gameloft (gaming) and SFR Presse (press). SFR also supported the development of no-frills offers: the ''Red'' offer, a no-frill offer, accounted for more than 1.7 million customers at the end of 2013. Including pre-paid customers, the total number of B2C mobile customers of SFR as of December 31, 2013 amounts to 14.6 million, compared to 15.1 million as of December 31, 2012.

The growth of mobile internet usage continued in 2013: 64% of B2C customers had smartphones as of December 31, 2013 (compared to 51% as of December 31, 2012) and SFR, which covers more than 40% of the French population with this technology, accounted for more than 1 million 4G customers at December 31, 2013.

In the B2C market for landline telephones, the total number of SFR's residential customers in metropolitan areas of France subscribing to high-speed internet amounted to 5.2 million at December 31, 2013, an increase of 170,000 customers compared to December 31, 2012, with an increased take-up of services on SFR's fiber network representing 42% of net sales over the period. The total number of fiber customers amounted to 197,000 customers as of December 31, 2013. SFR has also strengthened the attractiveness of its sales offer with the launch of the TV SFR decoder with Google Play, giving access to the TV services of SFR as well as to the Google services on television to customers who were not at that time eligible for TV by ADSL. In the field of home automation, the number of customers subscribing to the Home offer by SFR reached over 20,000 customers at December 31, 2013.

Finally, SFR has been pursuing its home equipment strategy, the ''SFR Multi-packs'' offer. This offer gives a connection discount to customers registering for a high-speed internet offer and a mobile subscription at the same time customers subscribing to this offer accounted for 2.4 million customers at December 31, 2013, representing 45% of SFR's total broadband Internet customers compared to 1.8 million customers at December 31, 2012, i.e. 35% of the broadband Internet customers total.

B2B

B2B segment revenue decreased by 4.4% to €1,789 million for the year ended December 31, 2013 from €1,871 million for the year ended December 31, 2012. The sales dynamics of the B2B market remained strong, with strong gross adds over the period (particularly for connected objects); however, the economic environment has had an unfavorable effect on the attrition rate. Similarly, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses. In particular, smaller firms sought to renegotiate prices following the arrival of the fourth entrant in the mobile market.

In 2013, SFR focused on offers and services targeting medium and small enterprises, while continuing to widen its offers to large business customers. In particular, SFR added 4G to its contract offers as well as security services and device management. Further, SFR created the ''*Pack Business Entrepreneurs*'' (for small businesses), the ''*Pack Business Corporate*'' (for large firms) and ''*Pack Business Enterprises*'' (for medium enterprises), which offers a complete range of unified communications solutions. SFR has developed hosted value-added services for the largest accounts, as well as the use of cloud computing technologies and SAAS (Software as a service, which enables surfers to access the firm's applications via an interface) to provide simple services for medium enterprises. SFR's cloud services offers rely on an innovative storage technology, enabling a quick response to increasing capacity requirements.

As the leader for connected objects (such as Machine to Machine), SFR has increased its initiatives enabling its customers to improve their efficiency with notably the launch of m-alert, a solution dedicated to the securitization of persons and tracking of goods.

Wholesale and Other

The Wholesale and Other revenue segment was €1,536 million, showing growth of 6.5%, when compared to 2012 reflecting the good sales performance of the Wholesale business as well as a drop in inter-segment elimination, partly offset by the unfavorable evolution of SRR revenue of metropolitan areas of France.

In particular, the revenue of the Wholesale business has increased slightly, both for fixed and mobile business, in spite of the drop in regulated roaming tariffs on prices of the mobile wholesale segment, and the collateral effect from the drop in prices in the Retail mobile market following the arrival of the fourth mobile operator. In addition, SFR hosts on its mobile network the main MVNOs, including *La Poste Mobile* (in which it has a holding of 49%), which had attracted 943,000 customers by the end of December 2013, as well as Virgin Mobile and NRJ Mobile, with which it has signed Full MVNO agreements.

EBITDA

	2013	2012	Variation	Variation in %
	(in millions of €)			
Revenue	**10,199**	**11,288**	**(1,089)**	**−9.7%**
Cost of sales[(a)]	(4,851)	(5,113)	263	−5.1%
Sales and distribution costs[(a)]	(1,928)	(1,965)	38	−1.9%
General expenses[(a)]	(654)	(909)	255	−28.1%
EBITDA	**2,766**	**3,299**	**(533)**	**−16.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

The combined EBITDA of SFR has decreased by €533 million, or 16.2%, from €3,299 million for the period ended December 31, 2012 to €2,766 million for the period ended December 31, 2013. This decrease reflects the decrease in revenue of €1,089 million offset partly by the decrease in costs. In total, excluding non-recurring items (€15 million of net non-recurring charges in 2012) costs decreased by €541 million in comparison with 2012.

This significant decrease in costs for the 2013 period was caused by the decrease in inter-connection costs, mainly due to the reduction of certain regulated tariffs (decrease of €128 million between 2013 and 2012), expenses for the acquisition and loyalty of mobile customers linked to the implementation of a more selective policy and other costs linked to the improvement of operational efficiency enabled by the optimization of the process and development of performance tools, particularly due to ongoing implementation of the transformation plan. This long-term plan, started in 2012, aims to adapt the organization of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, the costs, both fixed and variable, have decreased by more than €1 billion. In addition, after the voluntary departure plan initiated in 2012 and completed in August 2013, 873 staff members chose to leave SFR.

Combined operating profit

	2013	2012	Change	% Change
	(in millions of euros)			
EBITDA	**2,766**	**3,299**	**(533)**	**−16.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating profits	2	11	(9)	−80.6%
Other operating costs	(169)	(270)	102	−37.6%
Operating profit	**1,005**	**1,530**	**(525)**	**−34.3%**

The combined operating profit of SFR decreased by €525 million in 2013 compared to 2012 (i.e. a reduction of 34.3%), decreasing from €1,530 million for the financial year ended December 31, 2012 to €1,005 million for the financial year ended December 31, 2013.

This reduction reflects the decrease in EBITDA of €533 million and an increase in net depreciation expenses and provisions on intangible and tangible assets for €84 million, which reflects the increase in investments in recent years and the start of the amortization of the 4G licenses (2600 Mhz and 800 Mhz). The other operating charges decreased by €102 million compared to 2012 as a result of the decrease in restructuring costs linked in particular to the voluntary departure plan referred to above, which decreased from €187 million in 2012 to €93 million in 2013.

Combined financial expenses

The combined financial expense of SFR increased by €2 million in 2013 compared to 2012 (i.e. an increase of 0.8%), increasing from a cost of €249 million for the financial year ended December 31, 2012 to a cost of €251 million for the financial year ended December 31, 2013.

This increase reflects the increase in the net financing cost of €12 million which is offset in part by smaller allowances for provisions for financial assets in 2013 compared to 2012. The increase in the net financing cost is explained by the increase in the average interest rate, which increased from 2.58% in 2012 to 2.80% in 2013. This compensates for the average net reduction in financial net debt which decreased from €8,397 million in 2012 to €8,160 million in 2013.

Income Tax on combined profits

The tax on the combined profits of SFR decreased by €200 million in 2013, decreasing from €516 million for the financial year ended December 31, 2012 to €315 million for the financial year ended December 31, 2013.

This reduction reflects the decrease in the profit of activities before tax, offset by the effect of the increase in the statutory rate of tax which rose from 36.1% to 38% for large companies such as SFR. The effective rate of tax is therefore fixed at 42.5% for the financial year ended December 31, 2013 as against 40.7% for the financial year ended December 31, 2012.

Combined net profit

The combined net profit of SFR decreased by €325 million in 2013 (i.e. a reduction of 43.3% compared to 2012), decreasing from €752 million for the financial year ended December 31, 2012 to €426 million for the financial year ended December 31, 2013. This reduction reflects the decrease in the net operating profit after tax.

Analysis and comparison of results for the financial years ended December 31, 2011 and December 31, 2012

The following table sets out the combined profit account of SFR for the financial years ended December 31, 2011 and December 31, 2012, in millions of euros.

	2012	2011	Change	% Change
	(in millions of euros)			
Revenues	**11,288**	**12,183**	**(895)**	**−7.3%**
Cost of sales[a]	(5,113)	(5,681)	568	−10.0%
Commercial and distribution costs[a]	(1,965)	(1,864)	(102)	5.5%
Selling, general and administrative expense[a]	(909)	(838)	(72)	8.6%
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	−19.0%
Other operating expense	(270)	(84)	(186)	220.2%
Operating result	**1,530**	**2,222**	**(692)**	**−31.1%**
Net financing cost	(217)	(208)	(9)	4.2%
Other financial income	2	8	(6)	−72.2%
Other financial expense	(34)	(70)	35	−50.8%
Financial income	**(249)**	**(270)**	**21**	**−7.7%**
Income from equity affiliates	(13)	(17)	3	−19.8%
Pretax income from continuing operations	**1,267**	**1,935**	**(668)**	**−34.5%**
Income tax	(516)	(535)	19	−3.6%
Net earnings	**752**	**1,400**	**(649)**	**−46.3%**
Of which				
Attributable to shareholders	**746**	**1,399**	**(653)**	**−46.7%**
Attributable to non-controlling interests	**6**	**1**	**4**	**na**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

The combined revenue of SFR decreased by €895 million, or 7.3% from €12,183 million for the financial year ended December 31, 2011 to €11,288 million for the financial year ended December 31, 2012.

This decrease reflects the impact of price decreases linked to severe competition and decreases in tariffs imposed by the regulators. Excluding the impact of the tariff reductions introduced by the regulators, revenue would have decreased by 3.3%.

Given the competitive environment marked by the arrival of a fourth mobile telephone operator in France at the beginning of 2012, which increased to a significant degree the intensity of competition in the French market, SFR adapted and simplified its offers:

- launch in September 2012 of new simplified ''Formules Carrées'', with six pricing plans structured around data and innovations dedicated to a high speed mobile service and a new accompanying segmented approach, ''Services Carrées''; and
- adaptation of the content and prices of the ''Séries RED'' offers, requiring no commitment, distributed mainly over the internet and aimed at the low price segment.

At the end of 2012, the total number of mobile customers of SFR amounted to 20.690 million, a decrease of 773,000 compared to December 31, 2011. The number of customers subscribing to broadband internet increased by approximately 56,000 customers to 5.075 million at the end of December 2012.

Information by market

The combined revenue by market is as follows:

	2012	2011	% change 2012 compared to 2011
	(in millions of euros)		
B2C	7,974	8,982	−11.2%
B2B	1,871	1,868	+0.2%
Wholesale and Other	1,442	1,333	+8.2%
Combined revenue	**11,288**	**12,183**	**−7.3%**

The performance indicators have changed in the following way:

	2012	2011	% variation 2012 in comparison to 2011
Group			
Total mobile customers (in thousands)[(a)]	20,690	21,463	−3.6%
Total internet customers (in thousands)[(b)]	5,075	5,019	+1.1%
Mobile acquisition costs (in M€)	497	602	−17.5%
Mobile retention costs (in M€)	634	645	−1.8%
B2C[(c)]			
Total mobile customers (in thousands)[(a)]	15,057	16,578	−9.2%
Total mobile subscribers (in thousands)[(d)]	11,194	11,961	−6.4%
Smartphone penetration[(e)]	51.2%	42.1%	+9.1 pts
12-month rolling Mobile ARPU (€ per month)[(f)]	28.3	31.4	−9.6%
Number of Broadband internet customers (in thousands)	5,039	4,994	+0.9%
Of which fiber customers (in thousands)	126	97	+29.7%
Of which quadruple-play customers (''MultiPack'') (in % customer base)	35%	24%	+11.9 pts
12-month rolling Broadband Internet ARPU[(f)] (€ per month)	33.3	34.1	−2.1%

(a) Total Mobile Customers is equal to the net number of lines or SIM cards in compliance with ARCEP's definition.

(b) The broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo IP and 2P customers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Réunion and Mayotte.

(d) Total Mobile Subscribers is equal to post-paid subscribers.

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

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

B2C

The revenue for B2C activity was €7,974 million in 2012, decreased by 11.2% compared to 2011:

	2012	2011	% change 2012 compared to 2011
	(in millions of €)		
B2C			
Revenue	**7,974**	**8,982**	**−11.2%**
Mobile	5,809	6,750	−13.9%
Fixed	2,165	2,232	−3.0%

This reduction is mainly caused by the loss of mobile customers and the price erosion following the arrival of the fourth mobile operator in January 2012.

The monthly B2C mobile customer ARPU thus decreased by 9.6% in 2012 decreasing from €31.4 euros in 2011 to €28.3 euros in 2012. The total number of B2C mobile customers (post-paid subscribers and pre-paid) amounted to 15.057 million, a reduction of 9.2%. This reduction was caused in major part by a decrease in the number of pre-paid customers, pre-paid offers being less attractive owing to the development of ''no frills'' offers: the Red offer, launched at the end of 2011 had about 700,000 customers at the end of 2012. At the end of December 2012, the number of mobile (post-paid) subscribers amounted to 11.194 million customers, a decrease of 6.4% compared to the end of December 2011, predominantly due to the entry of the fourth mobile operator Free in 2012.

The year 2012 was also marked by continued growth in mobile data usage, brought about by the new generation of smartphones. At the end of the 2012 financial year, 51% of B2C mobile customers had smartphones (compared to 42% at the end of December 2011).

In the B2C fixed market, the number of SFR's residential customers subscribing to broadband internet amounted to 5.039 million at the end of December 2012, an increase of approximately 45,000 customers compared to December 31, 2011. The ''SFR Multi-Pack'' offer had 1.8 million customers at the end of December 2012, i.e. 35% of high speed customers had at the same time a subscription to a high speed internet offer and a mobile subscription.

B2B

The revenue of activity for the B2B segment was €1,871 million in 2012, a slight increase over the year (+0.2%), due to growth in fixed products and services which was offset by the decrease in mobile products and services.

In 2012, SFR's goal in the fixed segment was to become a leader in cloud computing for businesses. In September 2012, SFR founded, alongside the Caisse des Dépôts et Consignations and Bull, Numergy to deploy and operate a ''trusted digital factory'' and provide virtualized computer equipment solutions. SFR entered into a trade agreement with HP regarding new services to facilitate the adoption of cloud computing by businesses. Moreover, thanks to being granted an approval for the hosting of health data, ''health host'', SFR is positioning itself as an e-health expert. Lastly, SFR signed the ''Contact 14 contract'' with EDF (customized multi-site, multi-channel and multi-skills virtual contact center).

On mobile segment, SFR is the leader in connectivity for connected objects (Machine to Machine). In addition, SFR has continued deployment of 150,000 lines under the Opache contract (mobile communications voice and data solution, supply of terminals for French ministries and institutions). Lastly SFR launched a new range of streamlined and modular mobile telephony and a collaborative on-demand messaging solution to its customers.

Wholesale and Other

The revenue for operators and others was €1,442 million, an increase of 8.2%, reflecting sound commercial performance on the MVNO market. In the 2012 financial year, SFR developed its wholesale activities with:

- Virgin Mobile, as a result of the strengthening of the partnership begun in 2011 in ADSL and Mobile.
- La Poste Telecom, virtual mobile operator in the retail market for mobile telephony and which offers a whole range of mobile telephony services, marketed under the trademark La Poste Mobile thanks to the La Poste sales network. At the end of December 2012 the number of its customers was 643,000.

Combined EBITDA

	2012	2011	Change	% Change
	(in millions of €)			
Revenue	**11,288**	**12,183**	**(895)**	**−7.3%**
Cost of sales[(a)]	(5,113)	(5,681)	568	−10.0%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(102)	5.5%
General expenses[(a)]	(909)	(838)	(72)	8.6%
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

The combined EBITDA of SFR decreased by €501 million in 2012 (i.e. a reduction of 13.2% compared to 2011), decreasing from €3,800 million for the financial year ended December 31, 2011 to €3,299 million for the financial year ended December 31, 2012. Excluding non-recurring profits and costs (€15 million non-recurring net costs in 2012 and €93 million non-recurring profits in 2011) the EBITDA would have decreased by 10.6%.

This reduction in Combined EBITDA reflects the reduction in revenue of €895 million due to the factors described above, partially offset by the €502 million reduction in costs excluding non-recurring items, particularly the reduction in interconnection costs owing mainly to the reduction in certain regulated tariffs (reduction of €257 million between 2012 and 2011), acquisition costs and customer loyalty management of mobile customers associated with the introduction of a more selective policy and other costs linked to the improvement in operational effectiveness made possible by the launch of the transformation plan in 2012. In particular, in 2012 SFR began a transformation plan in order to adapt its organization to market developments.

Combined operating profit

	2012	2011	Change	% Change
	(in millions of €)			
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating profits	11	14	(3)	−19.0%
Other operating costs	(270)	(84)	(186)	220.2%
Operating profit	**1,530**	**2,222**	**(692)**	**−31.1%**

The combined operating profit of SFR decreased by €692 million in 2012 (i.e. a reduction of 31.1% compared to 2011), decreasing from €2,222 million for the financial year ended December 31, 2011 to €1,530 million for the financial year ended December 31, 2012.

This reduction reflects:

- the decrease in the combined EBITDA of €501 million; and
- the impact of restructuring costs associated with the voluntary departure plan started in 2012 for which an allowance of €169 million was accrued in ''other operating costs'' in the course of the financial year ended December 31, 2012.

Combined financial expense

The combined financial expense decreased by €21 million in 2012 (i.e. a decrease of 7.7% compared to 2011), changing from a cost of €270 million for the financial year ended December 31, 2011 to a cost of €249 million for the financial year ended December 31, 2012.

The net financing cost increased by €9 million, as a result of the increase of average financial net debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, offsetting the reduction in the average interest rate (2.58% in 2012 compared to 3.25% in 2011 in line with the decrease in interest rates). The decrease in the other financial expense is explained essentially by the non-recurrent charge in 2011 linked to the net cost of unwinding swaps for €42 million.

Income Tax on combined profits

The tax on the combined profits of SFR decreased by €19 million in 2012, decreasing from €535 million for the financial year ended December 31, 2011, to €516 million for the financial year ended December 31, 2012. The effect of the tax burden on the decrease in profit from activities before tax of €668 million was to a large extent offset by the following items:

- a tax saving of €130 million in 2011. On December 12, 2011 a sum of €452 million in tax deficits was transferred to SFR in the context of a merger with Vivendi Telecom International. These tax deficits were fully used by SFR in the 2011 financial year;
- an additional tax cost of €32 million in 2012 linked to the introduction of an 85% ceiling on the amount of financial costs that can be deducted.

Combined net profit

The combined net profit of SFR decreased by €649 million (i.e. a reduction of 46.3%), decreasing from €1,400 million for the financial year ended December 31, 2011 to €752 million for the financial year ended December 31, 2012. This reduction essentially reflects the reduction in the operating profit of €692 million.

Liquidity and Capital Resources

The principal financing requirements of SFR comprise its working capital requirements, its operating and financial investments, its interest payments, loan repayments, and the payments of dividends to its shareholders. SFR has met these financing requirements principally through the cash flow generated by its operating activities and by current account advances and loans granted by Vivendi, its principal shareholder.

The capacity of SFR to generate cash in the future through its operating activities will depend on its future operating performances, themselves dependent to a certain extent on economic, financial, competitive, market, regulatory and other factors, most of which are outside of the control of SFR.

SFR estimates that its financing requirements in 2014 will principally comprise its working capital requirements, its operating and financial investments, its interest payments and its loan repayments.

Cash and Debt Profile

During the financial years ended December 31, 2013, 2012 and 2011, the sources of finance of SFR were principally the following:

- *net cash flow from operating activities:* these respectively represented €1,960 million, €2,892 million and €3,197 million for the financial years ended December 31, 2013, 2012 and 2011, respectively;
- *available cash:* the amounts of cash and cash equivalents were respectively €394 million, €267 million and €228 million as at December 31, 2013, 2012 and 2011, respectively (see note 15 ''Cash and cash equivalents'' of the Combined Financial Statements); and
- *borrowing and financial debts:* these notably comprise the shareholder debt contracted by SFR with Vivendi via current account advances and loans, being €8,672 million, €7,609 million and €5,461 million as at December 31, 2013, 2012 and 2011, respectively.

As a result of the Transactions, the shareholder debt contracted by SFR with Vivendi will be repaid and will be replaced with a new shareholder loan between Numericable Group and SFR in an amount expected to be up to €5,095 million.

The table below presents the amount of the net financial debt of SFR, corresponding to the net borrowing and financial debts of the cash and cash equivalents, as at December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(in millions of €)		
Borrowing and financial debts	9,094	8,067	7,385
Cash and cash equivalents	394	267	228
Net financial debt	**8,699**	**7,800**	**7,157**

The financial net debt of SFR amounted to €8,699 million as at December 31, 2013, as compared with €7,800 million as at December 31, 2012. This increase of €900 million can principally be explained by the cash flow linked to the net operating investments in the sum of €1,610 million, the interest paid in the sum of €229 million and the dividends paid to the shareholder in the sum of €985 million, which more than offset the net cash flow from operating activities of €1,960 million and which was financed by way of an increase in shareholder debt.

The net financial debt increased by €643 million between December 31, 2011 and December 31, 2012, from €7,157 million as at December 31, 2011 to €7,800 million as at December 31, 2012. This increase can principally be explained by the net operating investments in the sum of €2,736 million (including €1,065 million for 4G licenses), net interest paid in the sum of €217 million, and dividends paid to the shareholder in the sum of €538 million, which more than offset the net flow from operating activities of €2,892 million and which was financed by way of an increase in shareholder debt.

The table below presents the maturities of the financial debt of SFR as at December 31, 2013:

	Book value as at December 31, 2013	Schedule of disbursements		
		Under one year	Two to five years	Over five years
		(in millions of €)		
Shareholder debt	8,672	7,472	1,200	—
Bond loan	300	300	—	—
Borrowing relative to finance leasing	11	3	6	2
Other financial debts(*)	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

(*) including bank facilities

The principal debts for which the repayment maturities are provided at under one year are the shareholder debt and the bond, which represented respectively €7,472 million and €300 million as at December 31, 2013.

Consolidated Cash Flow Statements

The table below summarizes the cash flows of SFR for the financial years ended December 31, 2013, 2012 and 2011 presented in the Statement of Cash Flow:

	2013	2012	2011
	(in millions of €)		
Net cash flow from operating activities	1,960	2,892	3,197
Net cash flow from investment activities	(1,638)	(2,765)	(1,903)
Net cash flow from financing activities	(195)	(89)	(1,155)
Changes in cash and cash equivalents	**128**	**38**	**139**

SFR considers the Cash Flow From Operations (''CFFO''), a non-accounting measurement, to be a pertinent 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, adjusted for corporate income tax payments.

The table below presents the CFFO together with the net operating cash flow for the financial years ended December 31, 2013, 2012 and 2011:

		2013	2012	2011
		(in millions of €)		
EBITDA	(a)	2,766	3,299	3,800
Adjusted change to WCR (not linked to net investments)	(b)	(305)	154	59
Restructuring costs disbursed	(c)	(179)	(27)	(23)
Other items	(d)	(22)	4	5
Cash Flow From Operations (before Investments) (I) (a)+(b)+(c)+(d)		**2,260**	**3,429**	**3,840**
Tangible and intangible investments (excl. licenses)		(1,665)	(1,658)	(1,695)
Sale of tangible and intangible assets		17	13	13
Net investments from sales (excl. licenses)		***(1,649)***	***(1,644)***	***(1,682)***
Change in WCR linked to net investments		38	15	23
Investments (excl. licenses) net of WCR change	(e)	**(1,610)**	**(1,629)**	**(1,659)**
Cash Flow From Operations (before licenses II) (I) + (e)		**649**	**1,800**	**2,182**
Acquisition of licenses and associated spectrums	(f)	—	(1,107)	(150)
Cash Flow From Operations (III) (II) + (f)		**649**	**694**	**2,032**

The table hereunder gives the link between the cash flow generated by the operating activities of SFR presented in the statement of cash flow and the table above presenting the Cash Flow From Operations (before investments):

	2013	2012	2011
	(in millions of €)		
Cash Flow From Operations (before investments)	**2,260**	**3,429**	**3,840**
Taxes paid	(299)	(537)	(643)
Net flow from operating activities	**1,960**	**2,892**	**3,197**

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

The cash flow from operations (before investments) amounted to €2,260 million for the financial year ended December 31, 2013, as compared with €3,429 million for the financial year ended December 31, 2012. This reduction of €1,169 million can principally be explained by the decrease in net flow generated by the activity (EBITDA), the negative change in working capital requirements of €305 million, and the rise in restructuring costs disbursed.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

The cash flow from operations (before investments) amounted to €3,429 million for the financial year ended December 31, 2012, as compared with €3,840 million for the financial year ended December 31, 2011. This decrease of €411 million can notably be explained by the decrease in net cash flow generated by operations (EBITDA), partly offset by the positive change in working capital requirements of €154 million.

Working Capital

The working capital requirements of SFR correspond principally to the value of the stocks (composed mainly of mobile handsets, boxes, decoders and accessories), the increase in trade accounts receivable and other receivables and decrease in trade accounts payable and other payables. The working capital requirements of SFR result from the specificities of each of its markets.

With respect to the B2C market, SFR generates working capital in connection with the shorter client payment periods (generally 30 days) than those of the suppliers (generally 60 days), while with respect to the B2B and Wholesale market, SFR consumes working capital because the B2B and Wholesale and Other clients benefit from longer payment periods.

SFR generally finances its working capital requirements by means of cash flow generated by its sales. The change in working capital requirements of SFR can be broken down as follows over the financial years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(in millions of €)		
Change in working capital requirements in the Statement of Combined Cash Flow	**(305)**	**143**	**54**
Inventories	6	111	(41)
Trade accounts receivable	69	203	126
Other receivables	(84)	198	(49)
Trade accounts payable	(84)	(191)	(80)
Other payables	(212)	(178)	97
Adjustments		11	6
Adjusted change in working capital requirements	**(305)**	**154**	**59**

The change in working capital requirements of SFR engendered a cash requirement of €305 million during the financial year ended December 31, 2013.

This change is principally due to:

- a reduction in the item ''Trade accounts receivable'', in connection with the decrease in revenue of the B2C activity;
- an increase in the ''Other receivables'', and particularly the tax receivables (other than corporate income tax and VAT) and a decrease in ''Other payables'', and notably tax debts in relation to the financial year ended December 31, 2012. This is linked to the merger of SFR with Vivendi Télécom International which took place in 2011 and which led to deferring from the financial year 2012 to the financial year 2013 the settlement and payment of interim taxes such as the Contribution on Value Added of Companies (''CVAE'') and the Tax on Electronic Communications; and
- a decrease in the ''Trade accounts payable'', in line with the decline in the B2C activity.

For the financial year ended December 31, 2012, the change in working capital requirements generated a cash contribution of €154 million, which can be explained by the following elements:

- the reduction in ''Inventories'', resulting from better management;
- the reduction in the ''Trade accounts receivable'', linked to the decrease in the revenue of the B2C activity;
- the reduction in ''Other receivables'', and notably those of tax receivables, linked to a lower amount of interim payments on the CVAE and the Tax on Electronic Communications paid in 2012 following the merger with Vivendi Télécom International mentioned above; and
- the decrease in ''Trade accounts payable'', in line with the decline in activity.

Capital Expenditures

The net total operating investments made by SFR represented respectively €1,610 million, €2,736 million and €1,809 million as at December 31, 2013, 2012 and 2011.

The table below shows the distribution of the operating investments of SFR between acquisition of the tangible and intangible assets for the financial years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(in millions of euros)		
Acquisition of intangible assets—licences	—	(1,107)	(150)
Acquisition of intangible assets—other	(586)	(578)	(568)
Acquisition of tangible assets	(1,079)	(1,080)	(1,127)
Acquisitions of tangible and intangible assets	**(1,665)**	**(2,765)**	**(1,845)**
Sales of tangible and intangible assets	(17)	(13)	(13)
Operating investments net of sales	**(1,649)**	**(2,751)**	**(1,832)**
Change in working capital requirements linked to operating investments	(38)	(15)	(23)
Operating investments	(1,610)	(2,736)	(1,809)

The investments principally related to the priorities of the SFR Group detailed below.

Acquisition of licences

The evolution over the last three years is marked by considerable investments in the context of the LTE (4G) licences, with regard to acquisition of these licences with respectively €150 million in October 2011 (2.6 GHz band) and €1,065 million in January 2012 (800 MHz band).

Investments excluding licenses

Excluding licenses, the principal categories of investments are:

- fixed and mobile networks;
- information systems;
- equipment installed at clients';
- other investments: real estate, investments in the commercial distribution network;
- the distribution of our investments excluding licenses in 2013 consists of: 60% network, 24% client equipment, 14% information systems, and other.

Investments in the network:

Continuation of rollout of 3G

As at December 31, 2013, the SFR GSM/GPRS network (2G) covered over 99.7% of the French population, and the UMTS/HSPA network (3G/3G+) over 99%.

SFR continued to increase the capacity of its network to support the new uses of mobile internet, with 3G+ and 4G data traffic having increased by over 40% in 2013.

Beyond the increase in speeds, SFR continued to invest in the densification of its 3G+ network and, in the densely populated areas, is rolling out 3G+ over the 900 MHz frequency band, notably in Lyon, Marseille and Toulouse. This technology contributes to improving the quality of voice and mobile internet services.

To assure better coverage in terms of very high speed mobile, SFR has also devoted part of its investments to extending the Dual Carrier technology (latest evolution of 3G), thus covering over 70% of the population and making it possible to double download speeds.

Acceleration of 4G rollout

At the end of 2013, the acceleration in 4G rollouts enabled SFR to offer 4G coverage to over 40% of the French population, with a presence in 1,200 towns. SFR was also the first in France to invest in LTE-Advanced technology, evolution of the 4G standard making it possible to provide higher speeds.

The wide rollout of 4G in the 800 MHz frequency band (known as ''gold frequencies'') furthermore enables more efficient coverage with better service quality, notably inside buildings. At the same time, the rollout of 4G in the 2,600 MHz frequency band in densely populated areas enables mobile internet customers to have access to download speeds of up to 115 Mbits/s.

Fixed: unbundling and rollout of fiber optic (FTTH)

At the end of 2013, SFR held the largest alternative fixed network in France. With almost 6,200 NRA (Subscriber Connection Nodes) unbundled, SFR had over 5 million homes subscribed to ADSL. During the financial year ended December 31, 2013, more than 800 NRAs were unbundled, being the biggest annual volume since the start of unbundling in France in 2001.

SFR has also made investments in the sector of very high speed fixed. During the financial year ended December 31, 2013, SFR invested in the development of fiber to the home (FTTH), making more than 1.5 million homes in metropolitan France eligible for fiber optic (as compared with 1.1 million at end 2012).

Following the strategic agreement signed with the Incumbent to roll out fiber in the less densely populated areas, at the end of 2013, SFR initiated the marketing of FTTH in over 30 towns.

Investments in information systems

Within the framework of its ONE transformation plan, SFR is putting in a considerable effort to renew its information systems (14% of investments excluding licences in 2013, which is over 200 million euros). These investments have the purpose of rationalising the existing systems by simplifying the architecture and reducing the number of applications subsystems. This investment strategy meets a twofold objective: simplify the operation and thus generate savings in maintenance costs, and improve customer service quality of SFR over all points of contact (physical distribution network, call centres, internet).

Investments in customer equipment

These investments cover the equipment provided to customers and which is owned by SFR, being essentially:

- the costs of modems and internet decoders provided to ADSL and fiber optic customers on the B2C segment;
- the incidental costs associated with the connection of internet clients, including notably the logistics costs of shipping the equipment and the access fees to the service billed by the Incumbent;
- the connection costs of fibre optic customers;
- SIM cards;
- the *Femto Cell* equipment offered to improve coverage inside the home; and
- the telecoms equipment provided to companies (modems, routers, PABX, etc.).

The majority of these investments correspond to the equipment and costs associated with marketing of the ADSL and fiber optic ranges on the B2C market.

Net flow from financial investment activities

The financial investments made by the SFR represented €28 million, €29 million and €94 million as at December 31, 2013, 2012 and 2011, respectively.

	2013	2012	2011
	(in millions of euros)		
Net flow from combined entities net of cash acquired	7	(17)	(28)
Net flow from other financial assets	(34)	(11)	(66)
Net flow from financial investment activities	***(28)***	***(29)***	***(94)***

In 2013, these financial investments mainly concerned equity and current account advances of the companies Foncière Rimbaud (1 to 4) that SFR holds at the level of 50% with Vinci within the framework of the construction of the headquarters of the Group in Saint-Denis.

In 2012, the SFR gained a stake of 46.7% in Numergy. As of the date of this Offering Memorandum, SFR's stake is €26 million of the total amount of €105 million, or 25%.

The financial investments in 2011 principally concerned the stake of 49% taken in Poste Telecom.

For further information, see note 11 to the Combined Financial Statements of SFR.

Contractual Obligations

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €889 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

	Minimum future payments	Less than one year	2-5 years	More than 5 years	2012	2011
			(in € million)			
Commitments related to Public Services Concessions	72	27	22	23	262	336
Commitments on 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 Moderately Densely Populated Areas (MDPA).

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

In addition, SFR has the following list of commitments linked to telecommunication 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.

(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; and
- 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.

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; and
  - 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.

SFR's contractual commitments on long-term contracts concern mainly telecommunications network maintenance contracts are as follows:

	Minimum future payments 2014	Less than one year	2-5 years	More than 5 years	2012	2011
			(in € million)			
Commitments given	178	62	79	37	172	63
Commitments received	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

SFR's other contractual commitments are as follows:

	2013	Maturity According to construction	2012	2011
		(in € million)		
(a) GSM-R bank guarantees, joint and several bank guarantee	105		92	66
Other bank deposits and guarantees	65	2026	64	90
(b) Share purchase commitments	16	2026	16	18
Pledges	84	2017	51	46
Commitments made	**269**		**223**	**219**
Other bank deposits and guarantees	(1)		(1)	(1)
Commitments received	**(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).

(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.

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.

Related Party Transactions

For the period under review, 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.; and
- 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.

	Associated enterprises 2013	Associated enterprises 2012	Associated enterprises 2011	Joint Ventures 2013	Joint Ventures 2012	Joint Ventures 2011
			(in € millions)			
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

Off Balance Sheet Arrangements

As of December 31, 2013 SFR was party to a number of off balance sheet arrangements as set out in this Offering Memorandum or in the notes to the Combined Financial Statements of SFR included in this Offering Memorandum.

REGULATION

The Numericable Group's business activities are subject to the laws and regulations of both France and the European Union governing the telecommunications sector and the information society.

Regulation of Electronic Communications Networks and Services

The European Regulatory Framework for Electronic Communications

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications (Code des Postes et des Communications Electroniques (the ''**CPCE**'')). The provisions of the CPCE are primarily 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, regarding 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, relating to 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 Directive**'').

In addition to the 2002 Telecoms Package, the following texts are also applicable to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, relating to competition in the markets for electronic communications networks and services (the ''**Competition Directive**'');
- Regulation (EC) 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and non-discriminatory conditions; and
- Regulation (EU) 531/2012 dated June 13, 2012, on roaming on public mobile communications networks within the Union (the ''**Roaming Regulation III**''), which provides that all wholesale and retail (voice and SMS) roaming charges levied by mobile operators are subject to price caps. For network operators, the regulation also imposes an obligation to grant reasonable requests for wholesale access to roaming services and the opportunity for retail customers to choose an alternative roaming operator, separate from their national operator starting on July 1, 2014. The table below sets out the maximum roaming charges that may be applied by mobile operators:

	From July 1, 2012 to June 30, 2013	From July 1, 2013 to June 30, 2014	From July 1, 2014 to June 30, 2017
Retail prices			
Outgoing calls *(per minute)*	€0.29	€0.24	€0.19
Incoming calls *(per minute)*	€0.08	€0.07	€0.05
SMS *(per message)*	€0.09	€0.08	€0.06
Data *(per Mb of data transferred)*	€0.70	€0.45	€0.20
Wholesale prices			
Calls *(per minute)*	€0.14	€0.10	€0.05
SMS *(per message)*	€0.03	€0.02	€0.02(1)
Data *(per Mb of data transferred)*	€0.25	€0.15	€0.05(1)

(1) Remains applicable until June 30, 2022.

In 2009, the European Parliament and Council adopted a new regulation and two directives that slightly amended the 2002 Telecoms Package, without significantly changing the overall regulatory framework (the ‘‘**2009 Directives**’’). These regulations, which round out the regulatory framework and provide additional powers to national regulatory authorities (‘‘**NRAs**’’) and the European Commission are as follows:

- Regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the ‘‘**BEREC**’’) and the Office, a community body which provides administrative and professional support services to the BEREC. Rather than operating as a European regulatory agency, the BEREC’s role is to act as a forum for cooperation between the NRAs and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council. For example, on May 29, 2012, BEREC published a report on the neutrality of the Internet and the management of Internet traffic in Europe.
- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorization Directives. This new directive (i) introduces a last-resort remedy of functional separation to overcome competition problems, (ii) gives the European Commission new powers to issue recommendations on draft measures proposed by NRAs, (iii) facilitates access to the radio spectrum by allowing spectrum users to transfer or lease their usage rights to third parties, and (iv) states that NRAs should have the power to ensure the effective use of the spectrum and to take action to prevent anticompetitive barriers by certain operators; and
- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws, in order to (i) strengthen the rights of users of electronic communications services, (ii) extend the universal service to broadband, and (iii) ensure the quality of services offered as well as market transparency and fluidity.

These two directives were transposed into the CPCE by ordinance 2011-1012 dated August 24, 2011, decree 2012-436 dated March 30, 2012 and decree 2012-488 dated April 13, 2012. The French national regulatory framework was slightly amended by two other decrees in 2012:

- decree 2012-513 dated April 18, 2012, concerning the reporting of information to the public authorities on infrastructure and networks set up in their areas. This decree sets down a procedural framework and lists the type of information that operators are required to provide to local government agencies; and
- decree 2012-1266 dated November 15, 2012, relating to safety and integrity controls for the equipment, networks and services of electronic communications operators. This decree provides that the French government may carry out audits and controls on the safety and security of operators’ networks.

The European Commission regularly publishes recommendations aimed at the electronic communications sector, including Recommendation of September 11, 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment. This recommendation provides that access prices should be calculated using a bottom-up modeling approach based on a model that includes existing infrastructure (mainly ducts) as well as ones that will have to be constructed from scratch when building a next generation access network. The recommendation states that the European Commission expects the average monthly rental access price of the full unbundled copper local loop in the European Union which will result from the application of the recommended methodology to fall within a range of prices between €8 and €10 (consequently the €8.90 price currently applicable in France already falls into this range). The recommendation also establishes the cost accounting methodology to be used for the asymmetric regulation of fiber but does not set out the methodology for the symmetric regulation of fiber (see below for details on the symmetric model in force in France).

On June 17, 2013, the European Commission and its Vice-President held a public information meeting to relaunch the implementation of the ‘‘single telecoms market,’’ within the European Union, the key features of which would be the following: (i) creating a passport procedure within the European Union and a unique authorization for the provision of services within the European Union, (ii) granting operators harmonized access to the inputs necessary for the provision of services, coordinating spectrum assignment for mobile and wireless services, and offering harmonized ‘‘access products’’ to operators, and (iii) enabling consumers within the European Union to freely enjoy telecom services across Europe by ensuring open and non-discriminatory access to Internet services, transparency, ability to easily switch providers and eliminating differences in roaming charges applied to national and international calls/SMS.

On September 11, 2013, the European Commission published a proposal for a Regulation of the European Parliament and of the Council laying down the measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and 2002/22/EC and Regulations (EC) 1211/2009 and (EU) 531/2012. On October 17, 2013, the BEREC published its views on this proposal. The proposed Regulation was discussed within the European Council on October 24 and 25, 2013 which expressed its concern on some points, particularly on legal uncertainty as regards roaming. The text as modified by the European Parliament includes the outright end of international roaming in Member States in July 2016 and has been adopted on 3 April 2014.

French Regulatory Framework Applicable to Electronic Communications

Responsibility for the control and effective implementation of the European regulatory framework lies with the NRAs.

Authority of the ARCEP

In France, the NRA for electronic communications is the *Autorité de Régulation des Communications Electroniques et des Postes* (''ARCEP''), created in January 1997. The ARCEP, an independent administrative authority, ensures that operators comply with the laws and regulations set forth in the CPCE and, where applicable, that they respect the conditions of any individual authorizations granted.

Authorisations for frequency use

The Numericable Group must declare its activities and register with the ARCEP. In addition, pursuant to individual authorizations granted to SFR as a declared mobile telephony operator, SFR has been allocated frequencies in various bands used for mobile services:

- Authorisation to establish and operate a second-generation (GSM) mobile radio-electric network open to the public in the 900 MHz and 1,800 MHz bands (ARCEP Decision no. 06-0140 of 31 January 2006);
- Authorisation to establish and operate a third-generation (UMTS) mobile radio-electric network open to the public in the 2.1 GHz band (see Decree of 18 July 2001 (NOR: ECOI0120177A), as amended by the Decree of 3 December 2002 (NOR; INDI0220264A) for the 1,900-1,980 MHz and 2,110-2,170 MHz sub-bands and ARCEP Decision no. 10-0633 of 8 June 2010 for the 1,959.9 - 1,964.9 MHz and 2,149.9 - 2,154.9 MHz channels);
- Authorisation to reuse the 900 MHz band for purposes of establishing and operating a third-generation mobile radio-electric network open to the public (ARCEP Decision no. 2008-0228 of 26 February 2008 amending ARCEP Decision no. 06-0140 mentioned above);
- Authorisation to establish and operate a fourth-generation (''**4G**'' or ''**LTE**'') mobile radio-electric network in the 800 MHz band (ARCEP Decision no. 2012-0039 of 17 January 2012) and 2.6 GHz band (ARCEP Decision no. 2011-1171 of 11 October 2011).

Article 59-III of Regulation no. 2011-1012 of 24 August 2011 relating to the introduction of technological neutrality in the 1800 MHz band, instituted a lifting, under some conditions, of the technological restrictions in frequency bands starting 25 May 2015. Pursuant to Article 59-II of this same regulation, mobile telephony operators nevertheless have the chance to request that the frequency usage restrictions appearing in their authorisations be re-examined in advance (i.e. before 24 May 2016).

In France, the frequency usage authorisations in force in the 1,800 MHz band restrict frequency use to GSM technology and do not allow the implementation of LTE.

In this context, on 12 March 2013, the ARCEP published a guidance document for ''*the introduction of technological neutrality in the 1,800 MHz band*'' pursuant to which the application of the following target mechanism is planned by the 24 May 2016 deadline:

- Lifting of the restriction to GSM technology in the 1,800 MHz band;

- Distribution, for purposes of meeting the requirement of equality between operators, of the 1,800 MHz band into four frequency usage authorisations, held by Orange, SFR, Bouygues Telecom (with 20 MHz duplex each) and Free Mobile (with 15 MHz duplex).

ARCEP Power of sanction

Until recently, the sanctions available to the ARCEP if an operator failed to comply with the regulatory framework, as set forth in Article L. 36-11 of the CPCE, included limiting the scope or reducing the term of the operator's license, as well as suspending or even fully withdrawing the operator's registration. It could also impose fines representing up to 3% of the operator's annual revenue, or 5% in the event of a repeated breach and, if the ARCEP identified a serious and immediate infringement of the rules governing the sector, it could order precautionary measures without any requirement for prior notice. In addition, if an infringement could cause serious harm to an operator or the market, the ARCEP's Chairman could make an emergency application to the French Conseil d'Etat for an order requiring the party concerned to comply with the applicable rules and impose a daily fine until such party complies. On July 5, 2013, however, the Conseil constitutionnel (the constitutional court in France), ruling on a question by Numericable challenging the constitutionality of Article L. 36-11 of the CPCE through a procedure known as question prioritaire de constitutionalité, invalidated the power of sanction of the ARCEP set forth in Article L. 36-11, paragraphs 1 through 12, of the CPCE. An ordinance dated 12 March 2014 has restored the power of sanction of the ARCEP, but which henceforth complies with the principle of separation of investigative and sanctioning powers.

The French regulatory framework is completed by ARCEP's decisions and regulations. ARCEP decisions may relate to asymmetric regulation—i.e., applying to operators that occupy a dominant market position—or symmetric regulation, i.e., applying to all operators. Certain symmetric regulation decisions have to be approved by the French Minister for Electronic Communications. Asymmetrical regulations mainly involve regulations on wholesale price levels for fixed voice, mobile voice, and SMS call termination and for wholesale high-speed and very high-speed markets which are decisive in encouraging competition in retail markets.

In 2012 and 2013, the main decisions issued by ARCEP concerning the Numericable Group and SFR were as follows:

- ARCEP decision 2012-007 dated January 17, 2012, amending the depreciation periods used for Orange's copper local loop assets, as previously provided for in decision 05-0834 dated December 15, 2005. The 2012 decision led to a reduction in the unbundling fee from €9 to €8.80 in 2012. The impact of this decision will be partly offset, however, by the effect of ARCEP decision 2013-0001 dated January 29, 2013 concerning the rate of return on capital employed to be applied for accounting for costs, and controlling the fees for Orange's regulated landline activities for 2013 to 2015, which resulted in the unbundling fee being increased to €8.90 on May 1, 2013;
- ARCEP decision 2012-1546 dated December 4, 2012, establishing the provisional contributions of operators to the cost of the universal service for the year 2013 and ARCEP decision 2013-1212 dated October 8, 2013 establishing the rules for calculating the definitive contributions of operators to the cost of the universal service for the year 2012 (see below for details on the universal service).
- ARCEP decision 2012-0039 dated January 17, 2012 granted SFR authorization to use 10 MHz duplex frequencies in the 800 MHz band at a cost of € 1.065 billion. SFR undertook to cover 98% of the population within 12 years, 90% in each department and 99.6% within 15 years. SFR also undertook to accommodate roaming by Free Mobile on its very-high-speed mobile broadband network in the 800 MHz band under certain conditions, to offer MVNO support and a ''full MVNO'' offering.

Market Analysis—Asymmetric Regulation

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. Ex-ante asymmetric regulation is focused on market segments—mainly wholesale markets—in which distortion of competition and dominant market positions have been identified. Pursuant to the Framework Directive, regulation 1211/2009 establishing the BEREC and articles L. 37-1 to L. 38-1 of the CPCE, the ARCEP is required, under the supervision of the European Commission and the BEREC, and on the basis of the recommendation of the French antitrust authorities, 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.

The first and second phases of this market analysis were completed at the end of 2007 and 2010, respectively. The market analysis was carried out by the ARCEP in three distinct markets: the fixed-line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by the ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L. 38, L.38-2 (wholesale markets) and L. 38-1 (retail markets) of the CPCE. These measures include obligations to publish detailed technical and pricing specifications relating to interconnection and access, to provide interconnection or access services under non-discriminatory conditions, to grant reasonable requests for access to network and associated facilities, not to charge excessive or predatory prices in the market in question and to charge prices which are oriented towards the corresponding costs, to separate the accounting of certain activities, to provide retail services under non-discriminatory conditions, not to unreasonably bundle these services, to comply with the price cap mechanism set by ARCEP, and to obtain ARCEP's approval of prices prior to their application. For wholesale markets, in case the foregoing measures are not sufficient to resolve competition issues, the ARCEP may in addition impose a functional separation of the wholesale activities of the electronic communications operator in question.

Neither Numericable and Completel, nor SFR is considered by the ARCEP as an operator with significant market power in any relevant market, except in the market of calls terminating on their network, like all other operators (ARCEP decision 2010-1149 dated November 2, 2010). This implies that Numericable, Completel and SFR must comply with the regulations applicable to call termination charges on landline networks. In fact, landline operators, including Numericable, Completel and SFR, are considered to have significant power in the market for the termination of geographic calls on their networks and, pursuant to Articles L. 38 and L. 38-1 of the CPCE, are subject to obligations relating to access, interconnection, non-discrimination and transparency, as well as an obligation not to engage in excessive pricing.

The regime governing the call termination charges on landline networks has evolved in recent years. From October 1, 2010 to October 1, 2011, the call termination charges applied by operators were set at €0.05 per minute. Pursuant to decision 2011-0926 of the ARCEP dated July 26, 2011, the maximum call termination charge was set at €0.03 from October 1, 2011 to July 1, 2012, at €0.01 from July 1, 2012 to January 1, 2013, and at €0.008 onwards. Therefore, the Numericable Group's termination charges invoiced by other landline operators have decreased as from October 1, 2011. In turn, the Numericable Group's revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame. Similarly, pursuant to ARCEP decision 2010-0892 dated July 22, 2010, maximum rates that will reach €1 per SMS as of July 2012 have been set for SMS terminations on mobile networks.

Pursuant to decisions adopted in the summer of 2011 and applicable until the summer of 2014 concerning the regulation of the broadband and ultra-fast broadband markets, the ARCEP identified Orange as the sole operator with significant power in the landline market and imposed specific obligations on it concerning access to its infrastructures (unbundling the copper local loop and access to infrastructure). The provisions relating to the asymmetric regulation system for ducts were extended to overhead infrastructures and the regulations on passive access to the unbundled copper local loop have been maintained and extended to cover access to the local sub-loop in order to increase the speeds available for subscribers. Furthermore, the ARCEP stated that bit-stream pricing is now required to be cost-oriented. In 2012, the ARCEP issued an interim scorecard in which it stated that there was no need to make any adjustments to the applicable regulations until the end of the current round of market reviews in mid-2014.

In 2013, the ARCEP launched a new market analysis on the following markets to determine possible adjustments to the regulatory framework for the period from 2014 through 2016, through the launch of a first public consultation open from April 3 to May 15, 2013, and for which it published a summary on its website. On July 4, 2013, the ARCEP published a press release on its website and submitted to public consultation a scorecard of current regulation and possible pathways for development from mid-2014 to mid-2017. The relevant markets are the following: ''wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location,'' and ''wholesale broadband access,'' which comprises non-physical or virtual network access including ''bit-stream'' access at a fixed location; ''capacity services.'' The public consultation ran until September 16, 2013. A draft decision regarding the first two markets mentioned above was issued by the ARCEP on 19 February 2014, which is subject to review by the French Competition Authority and to a public consultation during the first quarter of 2014 (until March 26, 2014) before submission to the European Commission. Based on the draft decision, neither Numericable, Completel nor SFR has been identified by the ARCEP as having significant market power in one of those markets and that the ARCEP will not, as a consequence, impose additional regulatory measures with respect thereto. See ''*Risk Factors*''.

Symmetric Regulation

The ARCEP also regulates the telecommunications sector in a symmetrical way, i.e., by imposing the same obligations on all operators, through a number of decisions, including:

- Decision 06-0639 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories or providing universal information services;
- Decision 07-0213 dated April 16, 2007, on obligations imposed on operators that control access to end-users for routing communications used for value-added services;
- Decision 2008-1362 dated December 4, 2008, on publishing measures of service quality indicators for landline networks;
- Decision 2009-0637 dated July 23, 2009, on the implementation of fixed numbers portability and the routing of communications to the ported fixed and mobile numbers;
- Decision 2009-1106 dated December 22, 2009 and decision 2010-1312 dated December 14, 2010, on the methods of access to the terminal section of optical fiber networks; and
- Decision 2010-1314 dated December 14, 2010, on the eligibility of optical fiber networks for grants from the French digital development fund.

Interconnection Access

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers (Article L.34-8 of the CPCE). Interconnection agreements are subject to private law but the main tariffs are set by the ARCEP. These agreements must be disclosed to the ARCEP on request. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (Cour d'appel). Any such appeal lodged against an ARCEP decision does not suspend application of the ARCEP's ruling.

Numericable has interconnection agreements mainly on call termination on its network and on the networks of other operators, peering or interconnection of Internet traffic, the use of ducts or fiber, and access to its fiber network by other operators. Completel has similar agreements, as well as other interconnection agreements, among others, in voice transit services for other operators, leased lines or data services and traffic gathering for editors of voice and data added-value services. SFR has also entered into interconnection agreements on call termination on its fixed and mobile networks with the principal national carriers as well as the networks of other carriers. SFR has established reciprocal SMS and MMS interconnection agreements with France's three main mobile carriers. MMS tariffs are not regulated. Exchange flows amongst carriers are generally quasi-symmetrical.

Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fiber Networks

The French Economic Modernization Law dated August 4, 2008 included several provisions designed to establish a regulatory framework for the roll-out of very-high-speed optical fiber networks. This regulatory framework contains three key concepts: no ex-ante regulation on retail prices; the same obligations regarding access to the terminal portion of FTTH networks apply to all operators equipping buildings with optical fiber; and non-discriminatory access to the incumbent underground civil works systems, at a rate that reflects costs.

To this effect, the law comprises a number of measures intended to foster such roll-outs, including: (i) an obligation for private and public landlords to facilitate the installation of FTTH optical fiber networks in their buildings; (ii) rules for sharing optical fiber access in order to avoid several FTTH networks being set up within the same building (only one ‘‘building operator’’(*opérateur d'immeuble*) may therefore set up a network in its building); (iii) a requirement for each operator offering very-high-speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision-making powers to set the terms and conditions relating to the application of this law. Accordingly, for the optical fiber networks located in France's 148 most densely populated cities, the ARCEP decision 2009-1106 dated December 22, 2009 regulates access to the terminal section of networks installed by telecommunications operators in buildings. If they wish, operators can co-invest in FTTH networks installed by other operators and can consequently get a dedicated fiber. The ARCEP decision 2010-1312 of December 14, 2010 sets forth the terms and conditions for access to very-high-speed optical fiber electronic communications lines in less densely populated areas. Under this decision, operators are required to establish shared access points that are sufficiently large to enable other operators to obtain access at reasonable prices. It also requires operators rolling out a network to store the active or passive network devices of other operators at these shared access points.

Lastly, in January 2010, the French government set up a €20 billion fund program to finance the development of very-high-speed networks. This national program is organized in three parts: the first part provisioned at €1 billion consists of support for development of FTTH networks from investors (public and private) via the granting of long-terms loans or capital contributions; the second part provisioned at €750 million consists of additional government grants for public initiative FTTH network projects outside of areas for which investors have communicated their intention to roll out under the first part; and the third part provisioned at €250 million consists of supporting additional projects to cover the least dense areas.

The Numericable Group intends to pursue an opportunistic strategy in relation to the governmental program.

Individual requirements under SFR mobile telephony licenses

In addition to the general requirements, there are individual requirements associated with the commitments made by SFR when the different authorisations were granted for use of the frequencies of which it is the licensee.

These individual requirements are chiefly the following:

- 3G coverage commitments

The table below provides an overview of 3G network coverage commitments applicable to SFR:

Due dates	31 December 2010	31 December 2011	31 December 2013
Coverage requirement (as a % of the population)	88%	98%	99.3%

Source: ARCEP

- Coverage commitments in very high speed mobile

The timetable below summarises the deployment requirements stipulated under SFR's 4G licenses in the 800 MHz and 2.6 GHz bandwidths:

As a % of the population	11 October 2015	17 January 2017	11 October 2019	17 January 2022	11 October 2023
In the priority deployment zone (18% of the population and 63% of the territory)		40% (800 MHz band)		90% (800 MHz band)	
In each Department					
Throughout all of metropolitan France	25% (2.6 GHz band)		60% (2.6 GHz band)		75% (2.6 GHz band)

Source; ARCEP

- MVNO (Mobile Virtual Network Carriers) hosting commitments

At the time of the procedure for awarding residual frequencies of the 2.1 GHz frequency band, SFR agreed to host MVNOs on its network under conditions ''*that shall not without objective justification restrict competition on the wholesale market for MVNO hosting or the commercial autonomy of MVNOs on the retail market.*''

In addition, under its 4G license in the 800 MHz frequency band, SFR committed to the following:

(i) to allow ''*any reasonable requests for hosting on its very high speed mobile network open to the public*''

(ii) to provide to any MVNOs hosted by it on its network with ''*hosting under reasonable financial terms, with reference to the terms prevailing on the wholesale and retail markets on which* SFR *operates, and compatible with the exercise of actual and fair competition on those markets*'' and

(iii) to offer ''*a product based on a so-called 'full-MVNO'*'', which includes providing access to its radio local loop ''*under conditions allowing its actual use, particularly under non-discriminatory conditions, in terms of quality of service compared with the conditions enjoyed by* SFR *for its own services*.''

Legal Status of the Numericable Group's Cable Networks

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head-ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These components can be governed by different legal frameworks (see below). Because the Numericable Group's physical infrastructure is not built on its own premises (but on public land and private property), the Numericable Group has entered into concession or lease agreements, or benefits from easements, or IRU agreements with landlords. The telecommunications equipment itself can be directly owned by the telecommunications operator or owned by a third-party (which may be itself a telecommunications operator). Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment. The Numericable Group has built its network by acquiring and combining entities which themselves had built their networks under different legal frameworks, with different combinations of the legal frameworks described below.

Network Using the Ducts of Orange

In 1982, the French State launched the Cable Plan (*Plan Câble*) (established by the laws dated July 29, 1982 and August 1, 1984). Under the Cable Plan, the cable network was built by the French State and later transferred to Orange, the incumbent telecom operator. The network was initially operated by certain of the Numericable Group's predecessors, local entities financed by both private and public funding, which the Numericable Group later acquired. At the time of these acquisitions, Orange granted the Numericable Group several IRUs on its infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to the Numericable Group for terms of 20 years each and the renewal of the first of these will have to be negotiated between the parties in 2019. For a description of the Numericable Group's IRU agreement with Orange, see ''*—Material Contracts*''. The network using the ducts of Orange represents 55% of the Numericable Group's overall cable network.

Pursuant to the ARCEP decision 2008-0835 dated July 24, 2008, Orange published on September 15, 2008, a commercial offer allowing telecommunications operators to roll-out their own fiber networks in the ducts of Orange. Orange then asked Numericable to modify the IRUs granted in order to align the operational procedures set forth in the IRUs with some of the operational procedures of this commercial offer. In particular, Orange asked Numericable to follow the general rules of access to the physical infrastructures of Orange, for the purpose of maintaining and upgrading its network. This issue was litigated and the ARCEP (on November 4, 2010) and the Paris Court of Appeal (on June 23, 2011) ruled in favor of Orange. Numericable appealed the decision before the French Supreme Court (Cour de cassation) but it upheld, for the most part, the decision of the Paris Court of Appeal on September 25, 2012.

Moreover, on October 21, 2011, the ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, Numericable executed with Orange amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in the Orange generic commercial offer.

In the meantime, the penalty proceedings initiated by the ARCEP were not suspended by the execution of the amendments to the IRUs and Numericable and NC Numericable were fined €5.0 million on December 20, 2011 for non-compliance with the ARCEP's November 4, 2010 decision. However, on October 21, 2013, the Conseil d'Etat annulled the ARCEP's decision to impose the above-mentioned penalty.

Lastly, Numericable initiated proceedings against Orange before the Paris Commercial Court on October 7, 2010, claiming damages of €2.7 billion for breach of these contracts by Orange and for the modification of the IRUs. The Paris Commercial Court ruled on April 23, 2012 in favor of Orange and dismissed Numericable'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 its generic commercial offer published on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal. The case is still pending; Numericable claims before the Paris Court of Appeal the same amount of damages as before the Paris Commercial Court. Orange, in turn, claims that the proceedings materially impaired its brand and image and claims €50 million in damages. The Paris Court of Appeal is expected to render its decision during the second quarter of 2014.

Networks Set Up Following the New Deal Plan

In 1986, the government launched the New Deal Plan (*Plan Nouvelle Donne*) (law 86-1067 of September 30, 1986 relating to freedom of communication). Under this new regulatory framework, local authorities could themselves set up networks or authorize private companies to set up these networks. Several private companies (which the Numericable Group later acquired) set up new networks and were granted occupancy rights and operating concessions to operate these networks for 20 to 30 years. The networks belonging to the New Deal Plan represent 38% of the Numericable Group's overall cable network. The Numericable Group entered into approximately 500 agreements in connection with New Deal Plan networks.

There is no standard form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long-term agreements entered into with local authorities. The issue relates to the identification of agreements that can be categorized as agreements with a local authority for the delegation of public services (*délégation de service public*). Under such an agreement, the infrastructure and equipment used to carry out the public services (*biens de retour*) revert back to the local authorities upon the expiration or termination of the agreement.

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, ''2002 Telecoms Package'' (the ''Paquet Télécoms 2002'') into French law, imposed the termination of exclusive rights over the installation and/or operation of networks contained in these agreements. Moreover, law 2008-776 of August 4, 2008 authorized local authorities to grant equal rights of access on their networks to the Group's competitors even if the agreement with such local authorities says otherwise. In a report dated July 2007, the ARCEP was of the opinion that, although final determination on the categorization of these agreements may only be made by the judge on a case by case basis depending on the wording of each agreement, agreements concluded with local authorities after the enactment of law 90-1170 dated December 29, 1990, which authorized municipalities to operate New Deal Plan telecommunications networks themselves, are to be categorized as agreements for the delegation of public services and therefore contain the concept of reversion (*biens de retour*).

In order to clarify the conditions for implementing such termination of exclusive rights over the installation and/or operation of networks in the agreements currently in place with public authorities (primarily local authorities), in May 2010, the Group made a proposal to the ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to the Group through a transfer process. This approach led to the conclusion of transactional agreements that are in line with the above-mentioned requirement (i) containing the aforementioned provisions and (ii) including a right to the use of public land (*convention d'occupation du domaine public*), comprising a nonexclusive right for the Group to use the ducts which had become the property of the local authorities on the terms of such new agreement, with the Group's own telecommunications equipment. One of the key features of these agreements is the Group's right to use the ducts on a nonexclusive basis and its competitors' ability to install their own equipment on such ducts.

The Numericable Group has signed nearly 80 agreements, 25 of which follow the approach acknowledged by the ARCEP, with various local authorities and is currently negotiating the implementation of its proposal with certain local authorities. The Numericable Group is currently negotiating the implementation of its proposal with certain local authorities.

See ''*Risk Factors—Regulatory and Legal Risks—The legal status of the Numericable Group's network is complex and, in some instances, subject to renewal or challenge*'' for a description of the risks associated with the New Deal Plan.

Other Networks

A limited portion of Numericable's current network (7%) is governed by legal agreements such as long-term leases of public property, *conventions d'affermage* (i.e., a type of operating concession through which the Group leases an entire network) or public land use agreements (*conventions d'occupation du domaine public*, through which the Group installs the necessary network equipment on public property with no underlying property transfer).

These agreements are entered into with local authorities, primarily municipalities, for terms from ten to 30 years. In accordance with the terms of Articles L. 2122-2 and L. 2122-3 of the Code général de la propriété des personnes publiques, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon termination of such agreements, the Numericable Group must, in accordance with its contractual requirements, (i) return the entire network to the local authorities, in some cases in return for the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, at the cost of either the Numericable Group or the local authorities, the equipment installed by the Numericable Group on the local authorities' premises, (iii) transfer the network to other operators, with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of the Numericable Group's own network on public land.

Mobile Network pooling

As noted by the ARCEP, although competition through infrastructure is an important element for ensuring a competitive dynamic and a high level of investment, network pooling is not incompatible with this competition goal (see in particular ARCEP Opinion no. 2012-1627 of 20 December 2012). In a context of increased competitive pressure, and although investment needs remain significant in particular for the deployment of 4G, network pooling can constitute a means for operators to reduce their costs and provide benefits to users, in terms of extended operator coverage and improved quality of service.

Network pooling is implemented in France through several specific mechanisms that have the common objective of strengthening mobile coverage within the country:

- The ''white spots'' programme begun in 2003 under the aegis of the Ministry for Regional Planning and the ARCEP to enable 2G network coverage in the town centres of approximately 3,300 municipalities;
- A 3G network infrastructure sharing agreement, in accordance with ARCEP decision no. 2009-329 of 9 April 2009, entered into on 11 February 2010 by three mobile operators (SFR, Orange and Bouygues Telecom), which provides for the sharing of 3G network facilities between mobile operators in lower density areas within the country. This agreement was supplemented with the signing on 23 July 2010 of an agreement with Free Mobile providing the terms for its deferred arrival into the mechanism; and

- The pooling obligations resulting from the 4G frequency usage authorisations, which provide that their holders must jointly implement network and frequency pooling in the 800 MHz band in order to cover the town centres of municipalities located in white spots within a maximum time period of 15 years (January 2027).

In addition to these specific mechanisms, the conditions under which network or frequency pooling agreements may be implemented in general by mobile operators were specified by the Competition Authority in an opinion dated 11 March 2013.

In this context, SFR and Bouygues Telecom announced an agreement on 31 January 2014 for the pooling of part of their mobile networks. In a press release dated 31 January 2014, the ARCEP gave a warm welcome to this agreement subject to three conditions: (i) the operators' continued strategic and commercial independence, (ii) the lack of an eviction effect on some market competitors, and (iii) improved services provided to users in terms of coverage and quality of service. It is now up to the ARCEP to study the validity of this agreement in the upcoming weeks, in collaboration with the Competition Authority.

Roaming

Roaming is another form of infrastructure sharing between operators under which an operator hosts another operator's customers on its network. Only the host operator's frequencies are used here.

As with network pooling, roaming is implemented in France through several series of specific measures, including, in particular, (i) the abovementioned ''white spot'' programme begun in 2003, as well as (ii) the mechanism relating to Free Mobile's right to 2G and 4G roaming.

SFR, which holds an authorisation aggregating two blocks in the 800 MHz band, must allow Free Mobile to enjoy roaming, if it makes a reasonable request, once Free Mobile's 2.6 GHz network has achieved (i) 25% coverage of the population and (ii) if Free Mobile does not already have a roaming host on the very high-speed mobile network of another holder of frequencies in the 800 MHz band. This right concerns 4G in the priority deployment area in the 800 MHz band, i.e. 18% of the population and 63% of the country.

In its Opinion no. 13-A-08 of 11 March 2013, the Competition Authority specified the conditions under which roaming agreements in general may be deemed as compliant with competition law. In the specific case of Free Mobile, the Authority believes that if it retains its 2G roaming right beyond its expiration date in 2016, it may be limited only to customers with 2G handsets exclusively.

Operators are also prompted to enter into international roaming agreements with their foreign counterparts and may also be required, in connection with the frequency authorisations, to enter into roaming agreements with MVNOs (Mobile Virtual Network Operators) in order to host the customers of the latter on their networks.

SFR's network

Similarly, SFR's telecommunications network is essentially made up of physical infrastructure (lines, network headends, switches and radio stations) in which the telecommunications equipment (mainly cables) is installed. These components of SFR's network are subject to different legal systems. Since SFR is only the owner of some of the sites hosting the physical infrastructure, if the infrastructure is on public land or on private property, concessions, easements, leases or even indefeasible rights of use (''**IRU**'') have been agreed on with the owners of the sites.

For the establishment of a significant part of its telecommunications and terrestrial networks, SFR has thus concluded agreements with public corporations for the occupancy of public land or is the holder of permits for the occupancy of public land. By virtue of such agreements or permits, SFR may install the equipment for its network along roads, motorways, railways or canals, for example. No transfer of property takes place in this context.

These agreements have been concluded for very different timeframes, varying from 3 to 25 years, with the agreements for the shortest time generally envisaging tacit renewal. Occupancy of public land by SFR is, as for all the occupants of public land, always precarious. The public corporations with which SFR has made these agreements or which have allocated these permits may terminate these agreements for occupancy of public land at any time due to default or for a motive of public interest, with some agreements furthermore excluding any compensation in this case. SFR does not have a right to the renewal of these agreements.

Fixed Number Portability

Number portability is the service offered by a telecommunications operator allowing its subscribers to keep their telephone number when they switch to another operator. Number portability is an obligation for all operators connecting end-subscribers pursuant to Article L. 44 of the CPCE. Decree 2006-82 of January 27, 2006 extended this number portability obligation to alternative landline operators. The ARCEP decision 2009-0637 implementing this decree was issued on July 23, 2009, and approved by the Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators, notably the maximum length of time that a service can be interrupted in the event of a portability request (four hours as from January 1, 2012). It also states that as from April 1, 2010 the same level of service must be provided for calls carried to ported numbers as for those carried to non-ported numbers, subject to the maximum length of service interruption in connection with a portability request. Pursuant to Article D. 406-18 of the CPCE, a portability request between two operators must be addressed within one day. Consumer contracts must include and detail the applicable penalties in the event of failure by the operators to meet this time frame.

In order to effectively manage the exchange of information between operators concerning portability requests, in January 2009 the main operators, including Completel, Numericable and SFR, set up a dedicated entity called l'Association de la Portabilité des Numéros Fixes.

An order published in the Journal official on 1 November 2013 confirmed ARCEP Decision No. 2013-0830 of 25 June 2013 specifying the new methods for allowing customers to keep fixed numbers. This decision establishes new requirements for operators in the B2C segment to be implemented gradually until 1 October 2015.

Directories and Provision of Subscriber Lists

Pursuant to Article L. 34 of the CPCE, anyone may freely publish lists of subscribers or users of networks or electronic communications services, subject to the protection of the rights of the persons. Therefore, all operators that connect end-subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services.

The ARCEP decision 06-0639 dated November 30, 2006 sets forth further details on the conditions for supplying subscriber and user lists for the purpose of publishing universal directories or providing universal information services.

Contribution to Universal Service Funding

Pursuant to Articles L. 35 et seq. of the CPCE, implementing into French law the provisions of the Universal Service Directive as modified by Directive 2009/136 dated November 25, 2009, universal service obligations include (i) the universal services of electronic communications, (ii) services ancillary to the universal services and (iii) missions of general interest in the electronic communications sector in relation with defense and security, public research, and higher education. The universal services of electronic communications include the provision of the following services (a) access to a fixed network open to the public and telephone services, including facsimile and data communications at speeds sufficient to allow Internet access, and free emergency calls, at an affordable price; (b) information and universal directories services; (c) access to public telephones; and (d) specific measures for disabled end-users.

Pursuant to law 2003-1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. Orange won the tender processes carried out in France and has been designated as the operator responsible for providing the components of the universal service, with the exception of directory services for subscribers which were granted to the company PagesJaunes by order dated December 6, 2012. The cost of the universal service is shared between operators with annual revenues above five million euros on the retail market *pro rata* to their revenues derived from telecommunication services.

The provisional and then definitive contributions by the carriers to the net cost of the universal service (telephony and low speed Internet access) are included in the decisions published every year by ARCEP.

On 26 November 2013, ARCEP published its Decision No. 2013-1406 setting the provisional contributions by the carriers to the financing of the universal service by electronic communications for the year 2014.

For the year 2014, these contributions amount to 400,000 euros for Numericable and 6,029,734 euros for SFR.

Broadcasting of Audiovisual Services

The transmission and broadcast of radio and television services (whatever the means of signal transmission) falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

The oversight powers of the French broadcasting regulator, the Conseil Supérieur de l'Audiovisuel (''**CSA**'') were extended by law 2004-669 dated July 9, 2004 to cover all radio and television services, irrespective of their method of transmission and broadcast. Rules governing powers and composition of the CSA have recently changed pursuant to law 2013-1028 dated 15 November 2013 relating to the independence of public audiovisual services. The law contains the following main provisions: (i) granting to the CSA the power of appointing the presidents of France Télévision, Radio France and the company in charge of French audiovisual services overseas instead of the President of the French Republic, (ii) reducing the number of members of the CSA from nine to seven and limiting the power of the President of the French Republic to the appointment of the President of the CSA only, (iii) amending the sanction proceedings before the CSA by the creation of an independent rapporteur and the instauration of a clear distinction between the inquiries and instructing body and the decision body. As a broadcaster of radio and television services, the Numericable Group must declare its activities and register with the CSA.

Pursuant to Articles 42-1 and 42-2 of law 86-1067 dated September 30, 1986 (as amended by laws 2004-669 dated July 9, 2004 and 2009-258 dated March 5, 2009, respectively), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing that registration (for a maximum of one year). The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In its capacity as a broadcaster of audiovisual services, the Numericable Group is subject to the regulatory ''must-carry'' provisions, i.e., the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network.

The must-carry obligations are governed by Articles 34-2, 34-4 and 34.5 of law 86-1067 dated September 30, 1986 (as amended by laws 2011-901 dated July 28, 2011 or 2009-258 dated March 5, 2009, as applicable):

- Article 34-2 mainly states that for all types of networks the following channels must be provided to subscribers free of charge: public service channels broadcast over terrestrial hertzian waves, Arte, the Chaîne Parlementaire, TV5, and RFO services specifically aimed at the general public in mainland France (i.e., the RFO-Sat program). Excluding satellite, the same rules apply to local cable channels.
- Article 34-4 introduces must-carry rights on all means of transmission (cable, satellite and ADSL) for free-to-air, analog or digital channels broadcast via terrestrial hertzian waves, under fair, reasonable and non-discriminatory conditions. Only the channels themselves can demand that their programs be carried by the distribution networks and not vice versa.
- Article 34-5 requires electronic communications networks in digital mode to carry all of France 3's regional programs, to the exception of those directed to French overseas departments, unless their technical capacities do not allow it.

Moreover, the CSA controls the content of the broadcast channels. In particular, under Article 15 of law 86-1067 dated September 30, 1986 (as amended by law 2010-769 dated July 9, 2010), the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of programs and embedding of special logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, the Group and SFR ensure that they strictly comply with these rules.

Regulation of the Content of Electronic Communications

Content of Online Services and Liabilities of Internet Market Players

The liability provisions applicable to Internet players are primarily set forth in law 2004-575 dated June 21, 2004, the CPCE, Ordinance 2011-1012 of August 24, 2011, decree 2011-219 of February 25, 2011 and decree 2012-436 of March 30, 2012. They include the following:

- providers of online communications services must identify themselves, directly or indirectly. Access and hosting providers are required to keep data that could identify persons having participated in the creation of the content of the services that they provide, in order to be able to pass on such data to the legal authorities, if required;
- hosting providers can only be held civilly or criminally liable on the grounds of the activities or information stored at the request of a recipient of these services if they were aware of their unlawful nature or of any facts or circumstances in which this unlawful nature is made obvious, or if, when they became aware of such unlawful nature, they did not act promptly to withdraw the data or to prevent access to it;
- access providers cannot be held either civilly or criminally liable for the content to which they provide access, except in circumstances in which they have originated the request for the transmission of the content concerned, or they have selected the recipient of the transmission, or they have selected and/or modified the transmitted content; and
- electronic communications operators are obligated to keep the technical connection data necessary for criminal investigations or for the mission of the HADOPI (as defined below). They may also keep the technical data required to obtain payment of their invoices. Apart from these two specific cases, the operators concerned must delete or render anonymous all data concerning a communication once it is completed.

Statutory provisions were also introduced by law 2010-476 of May 12, 2010 relating to the opening up to competition and the regulation of the betting and gaming sectors and law 2011-267 of March 14, 2011 on the policy and programming of the performance of internal security processes requiring access providers to block access to certain websites and online content (such as illegal gaming sites or pedo-pornographic content), when ordered by the Autorité de regulation des jeux en ligne (ARJEL) (i.e., the French online gaming regulator) or the Ministry of the Interior.

Copyright and the Internet

Under law 2009-669 adopted on June 12, 2009 promoting the dissemination and protection of creative works on the Internet, a specific ''graduated response'' system was introduced, aimed at limiting illegal downloads. The first level of the system is a warning e-mail sent to illegal downloaders. An independent administrative body—Haute Autorité pour la Diffusion des Œuvres et la Protection des Droits sur Internet (the ''HADOPI'')—was created to manage and send these e-mails. On October 28, 2009, law 2009-1311 was adopted to round out the graduated response system by providing that, in the event of repeated offenses, a judge can levy a fine or even suspend the illegal downloader's Internet access. The latter sanction, however, was repealed by decree 2013-596 dated July 8, 2013.

These statutory provisions have also been supplemented by a number of regulatory provisions related to (i) types of data and interconnection of information systems (decree 2010-236 of March 5, 2010) and (ii) the obligation for access providers to act as a vector for the recommendations issued by the HADOPI (decree 2010-1202 of October 12, 2010).

In May 2012, the new government announced the creation of an ad-hoc commission dedicated to the reform of the HADOPI. This commission, which issued its report on May 14, 2013, made recommendations in the following areas: (i) public access to work and online cultural offer, (ii) remuneration of creators and financing of creation, and (iii) protection and adaptation of intellectual property rights.

The legal framework on copyright and the Internet is therefore expected to be modified in the near future, as was the case pursuant to decree 2013-596 dated July 8, 2013 mentioned above and recently by law 1014-315 dated March 11, 2014 reinforcing means to fight against infringement. It is also anticipated that the powers of the HADOPI may be transferred to the CSA.

Processing of Personal Data and Protection of Individuals

Law 2004-801 dated August 6, 2004 on the protection of individuals with respect to the processing of personal data amending law 78-17 dated January 6, 1978 relating to IT, computer files and civil liberties (''law 78-17'') and decree 2005-1309 of October 20, 2005 implementing law 78-17, transposed into French law directive 95/46/EC dated October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and certain provisions of the Privacy and Electronic Directive. Law 2004-575 dated June 21, 2004 on confidence in the digital economy and law 2004-669 dated July 9, 2004 on electronic communications and audiovisual communications services also implemented certain provisions of the Privacy and Electronic Directive into French law. Finally, French data privacy regulations have been adjusted by ordinance 2011-1012 dated August 24, 2011, which implemented into French law the 2009 Directives (more specifically, the requirement that consent be obtained before cookies are placed on individual computers). On January 25, 2012, the European Commission published proposals for updating and modernizing the principles of directive 95/46/EC mentioned above to reinforce individual's rights, give people more control over their personal data and more generally guarantee privacy rights. These proposals are designed to ensure that people's personal information is protected—no matter where it is sent, processed or stored—even outside the European Union. On March 13, 2014, the European Parliament has approved the draft regulation based on the 2012 proposals by the European Commission.

The main applicable provisions of law 78-17 (as amended) which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);
- the right of the persons concerned to access, correct and object to the processing of their personal data must be ensured at all times;
- all processing of personal data must be notified to or duly authorized by the *Commission Nationale Informatique et Libertés* (CNIL), with very limited exceptions;
- electronic communications providers have an obligation to report to the French authorities a breach of personal data protection, which is detailed in decree 2012-436 of March 30, 2012; and
- any failure to comply with the provisions of law 78-17 (as amended) is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226-24 of the French Penal Code (*Code pénal*). Such offenses are punishable by a fine of up to €30,000 and five years' imprisonment, or, with respect to legal entities, a fine of up to €1.5 million.

Concerning data relating to the use of its services, since June 18, 2008, the Numericable Group has been required to store all user identification data for a period of five years following subscription termination. In accordance with Article L. 34-1 of the CPCE, technical data relating to connections has to be stored and then anonymized after a period of one year.

The Numericable Group may be required to pass on data it has in its possession on the identification, location and connection of a user of its services but such data may only be provided to duly authorized national legal and administrative authorities. The information passed on does not include any data concerning the content of any communications or information consulted. The categories of data covered by this requirement are currently set out in decrees 2006-358 of March 24, 2006 and 2011-219 of February 25, 2011. In accordance with law 91-646 of July 10, 1991 the Numericable Group may also be required to carry out legal interceptions of the electronic communications transmitted over their landline networks where required by the duly authorized legal and administrative authorities. This type of interception—for which the Numericable Group receive financial compensation from the State following decision 2000-441 DC of the French *Conseil Constitutionnel* dated December 28, 2000—is carried out in accordance with a strict supervisory framework by qualified professionals using equipment that is duly authorized and controlled by the relevant authorities.

Article 34 bis of law 78-17 (as amended) resulting from Decree 2011-219 of 25 February 2011 stipulates an obligation of notification of security breaches for the providers of electronic communication services accessible to the public. This law was completed by European Regulation 611/2013 of 24 June 2013 which entered into effect in August 2013. Law no.2013-1168 of December 18, 2013 on military planning for the years 2014 to 2019 with various provisions concerning defence and national security reinforced these obligations.

Decree 2012-488 of April 13, 2012 imposed additional obligations on operators to protect the safety of data on their networks. Operators must implement specific policies to protect the integrity of their networks.

In addition, the activity of hosting personal health data conducted by SFR is subject to a specific authorization obtained in March 2012 (published in the Official Bulletin of the Ministry of Health on 15 November 2012 (p182): Decision of 6 March 2012 authorising Société française du radiotéléphone (SFR) for the hosting of applications provided by customers and a manager of personal health data via its ''Isiad-Infrastructure SI on demand'' and ''Dedicated Hosting service offers).

The legislative framework for the personal health data hosting activity is defined by Article L. 1111-8 of the Public Health Code, added by Law 2002-303 of 4 March 2002, the ''Kouchner'' law, which stipulates that health professionals or health institutions or the data subject may deposit personal health data collected or produced during prevention, diagnostic or care activities with individuals or legal entities authorized for this purpose. The authorization procedure implies compliance with the requirements formulated by Decree 2006-6 of 4 January 2006 codified in the regulatory portion of the Public Health Code. Article L. 1111-8 of the Public Health Code specifies that personal health care data may be hosted only with the express consent of the person concerned.

The exercise without authorization of the activity of hosting personal health care data is a criminal offense punishable by up to three years in prison and a fine of 45,000 euros (Article L. 1115-1 of the Public Health Code).

Domain names

Domain names are assigned to the digital addresses of the servers connected to the Internet and constitute Internet addresses. The legal provisions relating to the allocation and management of top-level domain names (TLD) for the French national territory are set out in law 2011-302 of March 22, 2011 as codified in Articles L.45 et seq. of the CPCE. The Numericable Group has registered a certain number of domain names in France which have been recognized as assets.

Tax Regime

Tax on Telecom Operators' Revenue

Law 2009-258 dated March 5, 2009 relating to audiovisual communication and the new television public service introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of telecommunication operators relating to electronic communication services (subject to certain deductions and exclusions, and with a specific rebate for bundled offers) in excess of € 5,000,000. This tax was implemented from March 7, 2009. In November 2009, the French Telecommunications Federation (Fédération Française des Télécoms) asked the European Commission to review the compatibility of this tax with EU Directive 2002/20/EC which specifies the taxes that may be imposed on telecommunications operators. On January 28, 2010, the European Commission began infringement proceedings against France with respect to this tax. On September 30, 2010, the Commission initiated the second phase of the infringement procedure by issuing a reasoned opinion stating that the tax is not compatible with EU Directive n°2002/20/EC and decided to refer the matter to the Court of Justice of the European Union on March 14, 2011. The action was brought before the Court on September 22, 2011 (Case C-485-11). On June 27, 2013 the Court rendered a ruling dismissing the Commission's action, on the ground that the tax on telecommunication operators' revenues did not fall within the scope of the EU Directive n°2002/20/EC, and was therefore not incompatible with the Directive.

The Finance Law of 2011

Article 26 of the 2011 finance law, promulgated on December 28, 2010, eliminated the possibility of applying the VAT low-rate to a lump base equal to half the price of bundled offers that provide access to both an electronic communications network and a television service. Since then, in the context of these offers, the reduced rate (7% as from January 1, 2012) is applicable, in proportion to the economic value of services corresponding to television distribution rights acquired by the supplier. Numericable has passed on this VAT increase into its retail offers.

The Finance Law of 2012

The VAT rate for television services has been increased from 5.5% to 7.0%, as from January 1, 2012. The third Amended Finance Law for 2012 provides for a further increase of this rate to 10%, as from January 1, 2014.

MANAGEMENT OF THE NUMERICABLE GROUP

This section includes information relating to 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 as a result of the Transactions and we are currently in discussions with Vivendi and SFR regarding the composition of the board of directors and management team of the Issuer following the Transactions. However, Altice France will continue to have the majority of the votes on the board of directors of the Issuer.

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 with the Nanterre Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 794 661 470 and having its registered office at Tour Ariane, 5 Place de la Pyramide, 92088 La Défense Cedex, France.

Board of Directors

The Issuer is administered by a board of directors composed of at least three directors and at most eighteen directors, subject to exceptions provided by law. Directors are elected for a term of three years, subject to certain exceptions that may be approved by the general shareholders' meeting. The board elects a Chairman, whose term of office may not exceed its term as a director. He may be re-elected and is responsible for convoking and presiding over board meetings.

The table below shows the composition of the board of directors as of the date of this offering memorandum. The general shareholders' meeting held on October 21, 2013 approved certain exceptions to the standard three-year term of office for certain directors, which are reflected in the table below.

Name; business address; number of Issuer shares held	Age	Nationality	Expiration of term	Primary position held within the Company
Eric Denoyer Tour Ariane, 5 Place de la Pyramide, 92088 La Défense, Cedex Number of Issuer shares held: one	50	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Chairman and CEO
Jonathan Zafrani *Appointed by Carlyle* 112 avenue Kléber, 75784 Paris Cedex 16 Number of Issuer shares held: 100(1)	36	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Director
Nicolas Paulmier *Appointed by Cinven* Cinven Partners LLP Warwick Court Paternoster Square London EC4M 7AG, UK Number of Issuer shares held: 100(3)	49	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2014	Director
Dexter Goei *Appointed by Altice* 3 boulevard Royal, L-2449 Luxembourg Number of Issuer shares held: 100	41	American	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2014	Director

Name; business address; number of Issuer shares held	Age	Nationality	Expiration of term	Primary position held within the Company
Jérémie Bonnin *Appointed by Altice* 3 boulevard Royal, L-2449 Luxembourg Number of Issuer shares held: 100	39	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Director
Max Aaron *Appointed by Altice* 3, boulevard royal, L-2449 Luxembourg Number of Issuer shares held: 100	52	American	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2013	Director
Jean-Michel Hégésippe *Appointed by Altice* 109 rue du Faubourg Saint Honoré, 75008 Number of Issuer shares held: Zero	65	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2016	Director
Luce Gendry 23 bis avenue de Messine, 75008 Paris Number of Issuer shares held: Zero	64	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2016	Independent Director
Olivier Huart TDF, Immeuble Cap Sud, 106 avenue Marx Dormoy, 92541 Montrouge Cedex Number of Issuer shares held: Zero	50	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2016	Independent Director
Yaffa Nilly Sikorsky Capital International, 3 Place des Bergues, CH.1201, Genève Number of Issuer shares held: Zero	70	Swiss	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Independent Director

(1) In addition, Jonathan Zafrani holds an indirect very marginal stake in Carlyle.

(2) In addition, Nicolas Paulmier holds an indirect very marginal stake in Cinven.

(3) In addition, Dexter Goei holds an indirect very marginal stake in Altice SA.

(4) In addition, Jéréme Bonnin holds an indirect very marginal stake in Altice SA.

The board of directors is subject to a staggered renewal process each year. In order to permit staggered renewal of directors, the directors are divided into three groups: (i) a first group comprised of three directors (Max Aaron, Olivier Huart, and Jean-Michel Hégésippe), appointed for one-year terms ending at the Issuer's ordinary general meeting called to approve the financial statements for 2013, (ii) a second group comprising three directors (Nicolas Paulmier, Dexter Goei and Luce Gendry), appointed for two-year terms ending at the Issuer's ordinary general meeting called to approve the financial statements for 2014, and (iii) a third group comprising four directors (Eric Denoyer, Jonathan Zafrani, Jérémie Bonin et Yaffa Nilly Sikorsky), named for three-year terms ending at the Issuer's ordinary general meeting called to approve the financial statements for 2015.

On March 12, 2014, the Board of Director resolved to propose at the ordinary general meeting to be held on May 20, 2014, the renewal of the terms of those of the administrators whose mandate was to terminate on the date of the ordinary general meeting, namely Max Aaron, Jean-Michel Hégésippe and Olivier Huart. The Board of Directors will propose to renew these administrators' terms for an additional three-year period to be reviewed at the ordinary general meeting that will be held to approve the financial statements for the year ended December 31, 2016.

Director Biographies:

Eric Denoyer, 50, French, has been chairman and CEO of the Issuer since its founding on August 2, 2013 and CEO of the Numericable Group since January 2011. He was general manager of Completel's wholesale division from September 2008 to January 2011 and CEO of Numericable from April 2005 to September 2008. He is a graduate of the *Ecole Nationale Supérieure de Télécommunications de Paris* (class of 1988) and of the *Ecole Polytechnique de Palaiseau* (class of 1986).

Jonathan Zafrani, 36, French, is Managing Director of Carlyle, in charge of buy-out activities in France. He is also the Manager of CECP Investment Advisors France, an affiliate of Carlyle. He joined Carlyle in 1999. He is a graduate of the *Ecole des Hautes Etudes Commerciales* (HEC) (class of 1999). He is a member of the Board of Directors of Sagemcom Holding, the holding company of the Sagemcom group, the supplier of CPE for the Group. He is also on the Board of Directors of Ypso Holding S.à.r.l., Altice B2B Lux Holding S.à.r.l. and Altice B2B Lux S.à.r.l..

Nicolas Paulmier, 49, French, is a partner of Cinven. He is a member of Cinven's Executive Committee and Investment Committee. He joined Cinven in 1999. He was previously with Electra in Paris for eight years. He is a graduate of INSEAD (MBA) and the *Institut Pasteur*, as well as an alumnae of the Ecole Normale Supérieure.

Dexter Goei, 41, American, is chairman and CEO of Altice. He joined Altice in 2009, after working for 15 years in investment banking. Dexter began his investment banking career with JP Morgan and joined Morgan Stanley in 1999 working in their Media & Communications Group. Over the years, Dexter has worked across all segments of the media industry in the US and EMEA region covering primarily cable, pay TV, broadcasting, Internet, content and gaming companies eventually becoming Co Head of Morgan Stanley's European TMT Group. Dexter is a graduate of Georgetown University's School of Foreign Service with cum laude honours.

Jérémie Bonnin, 39, French, is in charge of corporate and business development and joined Altice in May 2005 as Corporate Finance director. Before joining Altice, he was a Manager in the Transaction Services department at KPMG which he joined in 1998. At KPMG, he led several due diligence projects with a significant focus in the telecom area. Since his appointment at Altice, he has been involved in all of Altice's acquisitions which have increased Altice's international footprint (in France, Belgium, Luxembourg, Switzerland, Israel, the French Overseas Territories and the Dominican Republic). He has a long track record of successful cross-border transactions, and in financial management in the telecom sector. As General Secretary of Altice, he also focuses on the implementation of consistent operating policies and corporate structure across the Altice, where he holds various board positions.

Max Aaron, 52, American, has been General Counsel of Altice since September 2013 and was appointed Company Secretary of Altice on January 13, 2014. Prior to joining Altice, Max was a partner for over 14 years at Allen & Overy focusing on capital markets and where he was one of the founding members of Allen & Overy's US law practice. Prior to joining Allen & Overy, Max worked at Shearman & Sterling in both their New York and London Offices. Consistently rated in Europe by the legal directories as one of the top practitioners in his area, Max has advised on transactions in over 30 countries in a wide variety of industry sectors, including telecoms, media, technology and utilities. Max received a BA from Brown University and a JD from Boston University School of Law where he was on the Law Review.

Jean-Michel Hégésippe, 65, founded the company Infotel (renamed Outremer Telecom in 2000) in 1986. Based in the French overseas territory, Infotel provided IT services in the banking sector. In 1998, Infotel was granted fixed telephony licenses in the overseas territory. From 1998 to 2004, Outremer Telecom developed Telephony and DSL services. In 2013, Outremer Telecom was acquired by Altice. Jean-Michel Hégésippe holds an IT Engeneer degree from Paris VII University.

Luce Gendry, 64, French, started her career in the Générale Occidentale group (1971-1990), a diversified French/British group, where she successively was a holder of power of attorney (*fondé de pouvoirs*), secretary general, then CFO. Then she joined the Bolloré group (1990-1993) as Deputy Chief Executive Officer, head of Administration and Finance, then the Rothschild bank where she was Managing Partner through mid-2011, as a specialist M&A consultant. Luce Gendry is currently a senior advisor of Rothschild & Cie Banque, Chairman of the Supervisory Board of IDI, a member of the Board of Directors of FFP (Peugeot family group), Nexity and INEA and Chairman of Cavamont Holdings Ltd. She is a graduate of the *Ecole des Hautes Etudes Commerciales (HEC)(JF)* and a *Chevalier* of the National Order of the *Légion d'Honneur*.

Olivier Huart, 50, French, has been Chief Executive Officer of the TDF Group since February 2010. He was previously Chairman of the BT Group in France from December 2005 to January 2010 and Vice Chairman for professional services of the BT Group in Europe as from January 2009. He started his career at France Télécom from 1987 to 1995 and in the SFR-Cegetel group from 1995 to 2005 where he was successively advisor to the Chairman and the Chief Executive Officer, Manager of the regulation and external relations department, and Chief Executive Officer of Cegetel. He is a graduate of the Ecole Polytechnique (class of 1983), the *Ecole Nationale Supérieure de Télécommunications* (class of 1988) and INSEAD (MBA) (class of 1993).

Yaffa Nilly Sikorsky, 70, Swiss, is Chair Emeritus of Capital International SA and Capital International Fund and is a consultant at Capital International S.A. She joined the Capital International group in 1962 as a statistician and was also a portfolio manager at various funds of Capital International. She is a member of the Swiss association of the financial analysts. She holds a degree (*licence*) in sociology from the Université de Genève.

Senior Management

In accordance with Article 17 of the Issuer's by-laws, Mr. Eric Denoyer serves as chairman of the board of directors and CEO of the Issuer. He was appointed chairman and CEO of the Issuer on August 2, 2013 for a term of 3 years to expire upon the adjournment of the Issuer's ordinary general meeting held to approve its financial statements for the fiscal year ending December 31, 2015.

Executive Committee

The Issuer's executive committee is composed of the following members:

- Eric Denoyer, chairman
- Eric Klipfel, managing director of B2C
- Paul Zenou, managing director of B2B
- Eric Pradeau, managing director of wholesale division
- Philippe Le May, Group technical director
- Jérôme Yomtov, Group general counsel
- Thierry Lemaitre, Group CFO
- Angélique Benetti, Group content director

Biographies of Executive Committee Members:

Eric Klipfel, 44, French, has been the Numericable Group's managing director of B2C since June 2010. He joined the Group in 2000 and was deputy managing director from April 2008 to May 2010 and marketing director from November 2006 to March 2008. He obtained a masters degree from the *Fachhochschule* in Stuttgart, Germany, in 2003.

Paul Zenou, 57, French, has been appointed Numericable Group's management of B2B since January 2014. Before joining the Numericable Group, he was the managing director of the wholesale division of SFR from 2001 to 2013.

Eric Pradeau, 44, French, has been the Numericable Group's managing director of the wholesale division since January 2011. He is a graduate of the *Ecole Nationale Supérieure des Mines de Paris*.

Philippe Le May, 45, French, joined the Numericable Group in 2000 and has been the Numericable Group's technical director since 2008. From 2006 to 2008, he was Numericable's network director. He graduated from the *Ecole Nationale Supérieure de Télécommunications de Paris* in 1991.

Jérôme Yomtov, 42, French, has been general counsel of the Numericable Group since 2009. From 2007 to 2009, he was a director in the mergers and acquisitions department of HSBC France. He is a graduate of the *Ecole Nationale Supérieure de Télécommunications de Paris* (class of 1996) and of the *Ecole Polytechnique* (class of 1991).

Thierry Lemaitre, 46, French, has been the Numericable Group's CFO since May 2010. Prior to joining the Numericable Group, he was CFO of Rentabiliweb from 2008 to 2010 and of Streamezzo from 2006 to

2008. Between 1997 and 2006, Thierry Lemaitre held various positions with the France Télécom Group including its subsidiary Wanadoo (Deputy Chief Financial Officer in charge of control from 2000 to 2004 and Chief Financial Officer from 2004 to 2006).

Angélique Benetti, 50, French, is the Numericable Group's Content Director. She has been a member of the executive committee since 2008. She joined the Numericable Group in 2003. She holds a master's degree in administrative law.

Board of Directors Committees

The Issuer's board of directors has an Audit Committee and a Nominating and Compensation Committee.

Audit Committee

The Audit Committee is currently comprised of Luce Gendry, Monsieur Olivier Huart, both independent administrators, and Jérémie Bonnin, an administrator appointed by Altice. The rules of procedure of the Audit Committee are as follows:

Composition of the Audit Committee

The Audit Committee must be composed of three members, two of whom are independent members of the Board of Directors and one of whom is appointed by the representatives of Altice amongst its representatives on the Board. The composition of the Audit Committee may be modified by the board of directors of the Issuer acting at the request of the Chairman and, in any case, is required to be modified in the event of a change in the general composition of the board of directors. In particular, in accordance with the applicable legal rules, the members of the Audit Committee must have specialized knowledge in finance and/or accounting. All the members of the Audit Committee must receive, upon appointment, information pertaining to the Company's accounting, financial and operational specificities. The term of members of the Audit Committee coincides with the length of their term as a member of the board of directors. It may be renewed at the same time as the renewal of the member's term on the board of directors. The chairman of the Audit Committee, Luce Gendry, has been appointed by the board of directors, among the independent members, based on a proposal from the Nominating and Compensation Committee. Executive officers are not allowed to be on the Audit Committee. The functions of secretary for the Audit Committee are ensured by any person appointed by the Chairman of the Committee or with his agreement. Furthermore, each of the Carlyle Shareholder and the Cinven Shareholder, each having the right to appoint one of their representatives on the Board as an Audit Committee censor, appointed Jonathan Zafrani and Nicolas Paulmier.

Powers of the Audit Committee

The goal of the Audit Committee is to monitor questions related to the preparation and the control of accounting and financial information and to monitor the efficiency of risk monitoring and operational internal control, in order to facilitate the board's ability to carry out its duties to control and verify such matters. As such, the Audit Committee carries its duties including the following:

(i) Monitoring the preparation of financial information.

The Audit Committee must examine, prior to their presentation to the board of directors, the yearly and interim consolidated financial statements, to ensure the relevance and consistency of accounting methods used to create these financial statements. The Audit Committee will also examine, if needed, major transactions where a conflict of interest could be present, as needed. The Audit Committee must examine provisions and their adjustments and all situations that could pose a serious risk to the Numericable Group, as well as all financial information, quarterly, half-year, and annual reports on the Numericable Group's business, or released as a result of a special operation. This examination should take place at least two days before presentation to the board of directors. The examination of the financial statements should be accompanied by a presentation by the statutory auditors highlighting the key points in the financial statements and accounting options used, as well as a presentation by the general management describing the company's risk exposure and significant off balance-sheet commitments.

(ii) Monitoring the efficiency of internal control systems, internal audits, and risk management related to financial and accounting information.

The Audit Committee must ensure the relevance, reliability and implementation of internal control procedures, identification, coverage and management of the Numericable Group's risks related to its business and to the accounting and financial information. The Audit Committee should also examine the risks and material off-balance sheet commitments of the Numericable Group. The Audit Committee should listen to the internal audit managers and regularly consult the map of business risks. The Audit Committee should also give its opinion on service organization and be aware of its work program. It should receive all internal audit reports or periodic summaries of these reports.

(iii) Monitoring of financial statement and consolidated account audits by the Issuer's statutory auditor.

The Audit Committee should stay informed of and monitor the Issuer's statutory auditors (including without the presence of the general management), particularly their general work program, potential problems they may encounter in their work, improvements which they believe should be made to the Issuer's accounts or to other accounting documents, accounting irregularities, anomalies or inaccuracies which they may have discovered, uncertainties and significant risks relative to the preparation and treatment of accounting and financial information, and significant weaknesses of internal control that they may have discovered.

(iv) Monitoring of the statutory auditors' independence.

The Audit Committee must supervise the selection and renewal of the statutory auditors, and must submit the results of this selection to the board of directors. Upon expiration of the term of a statutory auditor, the selection or the renewal of a statutory auditor may be preceded, upon proposal by the Audit Committee and decision by the board of directors, by a call to tender supervised by the Audit Committee to ensure that the ''best bidder'' and not the ''lowest bidder'' is selected. In order for the Audit Committee to monitor the rules of independence and the objectivity of the statutory auditors throughout the duration of their term, the Audit Committee must receive each year:

- the statutory auditors' declaration of independence;
- the amount of fees paid to the statutory auditors network by companies controlled by the Issuer and its controlling entity for services that are not directly linked to the statutory auditors' assignment; and
- information about the services carried out for diligence purposes directly linked to the statutory auditors' assignment.

Furthermore, the Audit Committee must examine, with the statutory auditors, the risks related to their independence and the preventative measures taken to mitigate these risks. In particular, it must ensure that the amount of the fees paid by the Issuer and the Numericable Group, or the share of such fees in the turnover of the firms and networks are not likely to impair the statutory auditors' independence. The statutory auditor's work must exclude any other assignment not related to the statutory audit. The selected statutory auditors must give up, on their behalf and on behalf of the network to which they belong, any consulting work (legal, tax or information technology consulting) that it has provided directly or indirectly to the company it has been selected by, or to its group. However, subject to prior approval from the Audit Committee, services that are accessory or directly complementary to auditing may be performed, such as acquisition or post acquisition audits, but not any valuation or advisory services. The Audited Committee provides regular reports on its activities to the board of directors and informs the board of any difficulties.

Operation of the Audit Committee

The Audit Committee may validly deliberate either through a meeting, or by phone or videoconference, under the same conditions as the board of directors, upon notice by its chairman or by the Audit Committee's secretary, so long as at least half of the members participate in the deliberations. Notices of meetings must include an agenda and may be given verbally or by any other means. The Audit Committee makes decisions on a majority basis of the members participating in the meeting, with each member carrying one vote. The Audit Committee meets as often as necessary and, in any case, at least two times per year, in connection with the preparation of the annual and half-year financial statements. Meetings are held prior to the board of directors' meeting and, to the extent possible, at least two days prior to this meeting if the Audit Committee's meeting relates to the examination of half-year and annual accounts prior to their examination by the board of directors.

Nominating and Compensation Committee

The Nominating and Compensation Committee currently comprises of Yaffa Nilly Sikorsky, Luce Gendry, and Olivier Huart, all three being independent directors, Dexter Goei, appointed by Altice and Nicolas Paulmier, appointed by Cinven. The rules of procedure of the Nominating and Compensation Committee are as follows:

Composition of the Nominating and Compensation Committee

The Nominating and Compensation Committee is made up of five members, three of whom are independent members of the board of directors. They are nominated by the Board of Directors among its members on the basis of their independence and their knowledge in selecting or compensating executive directors of listed companies. Executive directors are not allowed to serve on the Nominating and Compensation Committee. One member of the Nominating and Compensation Committee is appointed among the representatives of Altice on the board of directors, another is nominated, alternating yearly, among the directors representing the Carlyle Shareholder and Cinven Shareholder. In addition, the Carlyle Shareholder and Cinven Shareholder have the ability to nominate, alternating yearly, one of their respective representatives on the board of directors as a censor of the Nominating and Compensation Committee. Carlyle appointed Johnathan Zafrani as the Nominating and Compensation Committee censor. The composition of the Nominating and Compensation Committee can be modified by the board of directors acting at the request of the Chairman, and in any case, is required to be modified in the event of a change in the general composition of the board of directors. The length of the term of members of the Nominating and Compensation Committee coincides with the length of their term as a member of the board of directors. The term as a member of the committee may be renewed at the same time as the renewal of the member's term as a member of the board of directors. The Chairman of the Nominating and Compensation Committee is appointed among the independent members of the board of directors upon the Chairman of the board of directors' proposal. The functions of secretary for the Committee are ensured by any person appointed by the Chairman of the Committee or with his agreement.

Powers of the Nominating and Compensation Committee

The Nominating and Compensation Committee is a specialized committee of the board of directors whose principal duty is to help the board of directors in the composition of the managing bodies of the Issuer and the Numericable Group and in the determination and regular evaluation of all the compensation and benefits of the executive directors or senior staff of the Numericable Group, including all deferred benefits and/or compensation for voluntary or involuntary departure from the Numericable Group. In this context, the Nominating and Compensation Committee carries out the following duties:

- Proposals for appointments to the Board of Directors, to general management, and to Board Committees

The Nominating and Compensation Committee's main duty is to make proposals to the board of directors for the appointment of members to the board of directors (at the general shareholders' meeting or through co-optation), and members of the general management, and for the appointment of members and chairmen for each of the other board committees. To this effect, it provides the board of directors with proposals and the reasons for such proposals. The board of directors is guided by the best interests of the shareholders and of the Issuer. Generally, the committee endeavors to display a diversity of experience and points of view, all while ensuring a high level of knowledge, internal and external credibility and stability of the Issuer's management bodies. Moreover, it establishes and maintains a succession plan of members of the board of directors and of the general management as well as of the main executive officers of the Numericable Group in order to be able to quickly propose succession solutions to the board of directors in the event of an unforeseen vacancy.

Acting particularly to nominate members of the board of directors, the committee takes the following criteria into account: (i) the desired balance in the composition of the board of directors in regard to the composition and the evolution of the Issuer's ownership, (ii) the desired number of independent members, (iii) the required proportion of men and women set by the regulations in effect, (iv) the opportunity to renew terms and (v) the integrity, knowledge, experience, and independence of each candidate. The Nominating and Compensation Committee must also establish a procedure to select future independent members and make its own evaluations of potential candidates before any approach is made to these candidates. Upon making its recommendations, the Nominating and Compensation Committee must ensure that the independent members of the board of directors and of the board's specialized committees (in particular, the Audit Committee and the Nominating and Compensation Committee) make up the minimum number of independent members as required by the governance principles to which the Company adheres.

- Annual evaluation of the independence of the members of the Board of Directors

Each year, the Nominating and Compensation Committee examines, prior to the publication of the Issuer's annual report, the status of each member of the board of directors with regard to the independence standards adopted by the Issuer, and submits its findings to the board so that the board may examine the status of members as appropriate with regard to these standards.

- Examination and proposal to the Board of Directors of all elements and conditions of compensation of the executive directors of the Numericable Group.

The Nominating and Compensation Committee makes proposals which include the fixed and variable compensation, as well as, if applicable, the subscription options and purchase options, performance share allocations, retirement and pension plans, severance packages, benefits in kind and all other possible direct or indirect compensation (including long-term) which may be included in the compensation of members of the general management. The Committee is informed of the same components of the compensation of the main executive officers of the Numericable Group and of the Numericable Group's compensation policies established within the Numericable Group.

In the context of the preparation of its proposals and work, the committee takes into account the corporate governance practices to which the Issuer adheres, and in particular the following principles:

(a) The total amount of the general management's members' compensation submitted to the board of directors for a vote takes into account the general interest of the Issuer, market practices and the performance of the members of the general management.

(b) Each one of the elements of the general management's members' compensation is presented with clear reasons and in line with the general interest of the Issuer. The proposed compensation must be appropriate for the Issuer's industry, and in reference to French market practice and international practice.

(c) The compensation of the general management's members must be determined with fairness and be consistent with that of the Numericable Group's other executive officers, taking into account their responsibilities, knowledge and personal contributions with respect to the Numericable Group's development.

(d) The Committee proposes criteria for the variable portion of the compensation of the members of the general management, which must be consistent with the annual performance reviews of the general management's members and with the strategy of the Numericable Group. The performance criteria used to determine the variable portion of the compensation of the members of the general management, whether it is through a bonus or allocation of stock options or performance shares, must be simple to determine and explain, satisfactorily translate the Numericable Group's performance and economic development objective at least in the medium-term, allow transparency with regard to the shareholders in the annual report and at general meetings and correspond to the Issuer's objectives as well as to the normal executive compensation practices of the Issuer.

(e) The Committee monitors the evolution of the fixed and variable portions of the general management's members' compensation over several years with regard to the Numericable Group's performance.

(f) If applicable, the Committee ensures that the allocation of stock options or performance shares is done with objective of strengthening the convergence in the duration of the interests of the recipients and of the Issuer. All members of the general management will have to undertake not to engage in risk hedging transactions in respect of the options or performance shares.

(g) The same methodology applies to the evaluation of the compensation and benefits of the executive officers of the Numericable Group who are not members of the general management of the Issuer, and in general, policies implemented to this effect.

(h) In any of the above matters, the Committee may express, of its own initiative or upon request by the board of directors or by the general management, any proposal or recommendation.

- Examination and proposal to the Board of Directors on the attendance fee distribution method

The Committee submits a proposal to the board about the distribution of attendance fees and the relative payments made to members of the board of directors, while taking into account their diligence with the board and in the committees in which he or she is a member, the responsibilities undertaken and the time which they must dedicate to their positions. The Committee also submits a proposal on the compensation allocated to the Chairman and Co-chairman of the Issuer's board of directors.

- Exceptional Duties

The Committee is consulted by the board of directors to make recommendations on all exceptional compensation related to exceptional duties which may be given by the board to certain of its members.

Operation of the Nominating and Compensation Committee

The Nominating and Compensation Committee may validly deliberate either through a meeting, or by phone or videoconference, under the same conditions as the Board, upon notice by its chairman or by the Committee's secretary, so long as at least half of the members participate in the deliberations. Notices of meetings must include an agenda and may be given verbally or by any other means. The Nominating and Compensation Committee makes decisions on the basis of the majority of the members participating in the meeting, with each member carrying one vote. The Nominating and Compensation Committee meets as often as necessary and, in any case, at least once per year, prior to the board of directors' meeting which decides upon the board members' status with regard to the independence standards adopted by the Issuer and, in any case, prior to the board of directors' meeting which decides upon setting the compensation of the members of the general management or upon the distribution of attendance fees.

Internal Control

The Issuer's board of directors is responsible for the Numericable Group's internal control procedures and for monitoring their effectiveness. Risk management procedures and internal control systems, which are standardized and consistent within the Numericable Group, are designed to limit rather than to eliminate the risk of failing to attain the Numericable Group's strategic goals. These systems can only provide reasonable—and not absolute—protection against errors and losses. Risk analysis is an integral part of annual planning and budget preparation, and the results of that analysis are examined by the Issuer's executive committee and board of directors. The Issuer has also implemented an ongoing program of operational verifications and audits, and of coordinated self-evaluation of financial audits. The results of these audits are transmitted to the Numericable Group's internal audit department actually in place, which carries out an annual evaluation on behalf of the Numericable Group's board of directors of the effectiveness of the Numericable Group's internal controls and risk management.

Compensation of Members of the Board of Directors and Senior Management

For the year ended December 31, 2013, the aggregate annual compensation (including bonuses) payable to the senior management of the Issuer was €2.2 million.

The general shareholders' meeting held on October 21, 2013 capped at 180,000 euros per year the total amount of the attendance fees allocated to the board of directors to distribute to the independent members of the board of directors. This amount will be applied automatically each year, absent a modification with respect to the annual amount for the future by a new general shareholders' meeting. Members of the board of directors other than independent members will not receive any attendance fees.

On November 8, 2013, the Board of Directors decided to allocate fees to the independent directors as follows:

(i) €40,000 per year to each independent director, to be reduced by €5,000 for each board of director meeting not attended by such director;

(ii) €18,000 per year to each independent director member of the Audit Committee, to be reduced by €4,500 for each Audit Committee meeting not attended by such director;

(iii) €4,500 per year to each independent director member of the Nominating and Compensation Committee, to be reduced to zero if any of the Nominating and Compensation Committee is not attended by such director;

(iv) the remuneration presented above will be increased to €22,000 per year for the president of the Audit Committee and €11,000 for the president of the Nominating and Compensation Committee to be reduced by € 5,500 if a meeting is not attended by the president.

The Issuer provisioned approximately €302,680 at December 31, 2013 or retirement benefits (general regime, *régime général*) of members of the executive committee.

Numericable Group Subscription Options

There are currently two put stock subscription options in relation to the Numericable Group. The first plan was put in place in November 2013 (the ''IPO Plan'') immediately after determination of the initial public offering price. The second option plan was put in place in January 2014 (the ''Second Plan''), following the replacement of Thierry Podolak by Paul Zenou. At the board meeting held on March 11, 2014, the board of directors of the Issuer, following the recommendation of the Nominating and Compensation Committee, decided to limit the ability of the Issuer to issue stock subscriptions or purchase options. Under the current regime, and save for exception circumstances, the Issuer could only issue stock subscriptions or purchase options after the publication of (i) the annual financial results and (ii) of semi-annual financial results.

IPO Plan

On November 7, 2013, the board of directors of the Issuer established a stock subscription plan. The IPO Plan was adopted based on the power granted to the board of directors by the shareholders' meeting held on October 25, 2013 to grant stock subscription or purchase options to employees or corporate officers of the Issuer and its eligible subsidiaries, within the limit of 3% of the Issuer's share capital, including a sub-limit of 1% of the share capital with respect to grants to legal representatives of the Issuer.

The IPO Plan includes subscription options representing a percentage of the Issuer's share capital after completion of the reorganisation prior to the initial public offering of the Numericable Group of a total of 2.5% for all grants, including options with respect to a total of 1% of share capital to be granted to Mr. Denoyer.

Beneficiaries include seven people, in addition to the Chairman and CEO. The granting of these options to the beneficiaries is based on their respective performance, in particular based on the performance criteria, as of September 30, 2013, used to determine their variable compensation with respect to performance criteria in their variable compensation.

Key terms of the IPO Plan are summarized below.

- The exercise price of the options is equal to the IPO price (i.e. €24.80 per share);
- The IPO Plan prohibits beneficiaries from hedging options granted to them;
- The exercise of the options is subject to a number of cumulative conditions:
  - Timing conditions: 50% of the options granted to each beneficiary become exercisable starting on the second anniversary of grant; 25% of the options become exercisable starting on the third anniversary of grant; and the remaining 25% become exercisable starting on the fourth anniversary of grant;
  - Performance conditions: the opening of each exercise period is conditioned upon performance conditions, in accordance with the terms set by the board of directors, in particular with respect to the variable compensation of the relevant beneficiaries;

  Notwithstanding the foregoing, in the event of a public offer on the Issuer's shares, beneficiaries of option grants will have the full right to exercise the options that were granted to them and that have become exercisable under the timing conditions (without application of the performance conditions), starting on the date of the opening of the public offer; and

  - Presence conditions: the beneficiary must be employed by the Group at the time of exercise;

- Expiration of the options: the options will no longer be exercisable after a period of eight years following grant.

In addition, Mr. Eric Denoyer will be required to hold in registered form at least 50% of the shares acquired through exercise of the remaining options, after deduction of the number of shares necessary to finance the exercise of the options and the payment of applicable taxes, social charges and fees related to the transaction, until the end of his term of office.

Second Plan

On January 10, 2014, the board of directors of the Issuer put in place a second stock subscription/ purchase option, having been given to power to do so at the shareholders' meeting held on October 25, 2013, which had allowed the board of directors of the Issuer to grant stock subscription or purchase options to employees or corporate officers of the Issuer and its eligible subsidiaries, for up to 3% of the Issuer's share capital, unless granted to corporate officers, in which case the threshold is up to 1% threshold of the Issuer's share capital.

The Second Plan includes subscription options representing a percentages of the Issuer's share capital of a total of 0.23% for all grants.

The Second Plan currently has four beneficiaries.

Key terms of the Second Plan are summarized are as follows:

- The exercise price of the options is €27.62 calculated as the weighted average of the last 20 days of trading before January 10, 2014, in accordance with French Laws;
- The Beneficiaries are prohibited from hedging the options granted to them;
- The exercise of the options is subject to a number of cumulative conditions:
  - *Timing conditions:* 50% of the options granted to each beneficiary become exercisable starting on the second anniversary of the grant; 25% of the options become exercisable starting on the third anniversary of the grant; and the remaining 25% become exercisable starting on the fourth anniversary of the grant;
  - *Performance conditions:* the commencing of each exercise period is conditioned upon performance conditions, in accordance with the terms set by the board of directors, in particular with respect to the variable compensation of the relevant beneficiaries;

  Notwithstanding the foregoing, in the event of a public offer of the Issuer's shares, beneficiaries of the Second Plan will have the full right to exercise the options that were granted to them and that have become exercisable under the timing conditions (without application of the performance conditions), starting on the date of the opening of the public offer.

  - *Presence conditions:* the beneficiary must be employed by the Group at the time of such exercise;
- Expiration of the options: the options will be exercisable after a period of eight years following grant.

Profit-Sharing Agreements and Incentive Schemes

Mandatory profit-sharing agreements (accords de participation)

Pursuant to Article L. 3322-2 of the French Labor Code, profit-sharing agreements are required in businesses with more than 50 employees and taxable profit greater than a 5% return on equity. As a result, profit-sharing agreements have been entered into at the level of Ypso France Group, LTI and Completel. With respect to Numericable, an open-ended agreement was entered into in 2009. It may be terminated upon three months' notice prior to the end of each fiscal year. The Completel agreement has a term of three years covering fiscal years 2011 to 2013. This agreement may be automatically renewed if not formally terminated by one of the parties.

Optional profit-sharing agreements (accords d'intéressement)

Article L. 3312-1 of the French Labor Code provides for optional profit-sharing (intéressement), whose purpose is to give employees collectively a share in the business's success, and more specifically in its performance and results, by using a formula to calculate immediately available bonuses. Optional profit-sharing agreements have been entered into at the level of Ypso France and Completel. These two agreements include profit-sharing formulas based on the projected EBITDA of the entity in question. The Numericable agreement has a term of three years covering fiscal years 2011 to 2013. The negotiations for its renewal, pursuant to applicable law, will lead either to its renewal or to a new agreement before December 31, 2014.The Completel agreement has a term of three years covering fiscal years 2012 to 2014. The negotiations for its renewal, pursuant to applicable law, will lead either to its renewal or to a new agreement before December 31, 2015.

Company savings plans and similar plans

Pursuant to Article L. 3332-3 of the French Labor Code, companies with mandatory profit-sharing plans are required to maintain company savings plans. A group or company savings plan is a collective savings system offering employees of the companies in question the ability, with the help of their employers, to build investment portfolios. Employees can deposit amounts they receive pursuant to profit-sharing or incentive agreements and can also make voluntary contributions. Amounts invested in a company savings plan cannot be withdrawn for five years, except in the early-withdrawal cases provided for by law. Each Numericable Group entity created a company savings plan when the Numericable Group entered into its first company savings agreement. These plans offer Numericable Group employees the ability to immediately and fully apply the amounts paid to them under the profit-sharing and incentive plans to subscribe for shares in ''open-ended company investment funds'' (*fonds communs de placement d'entreprise, or ''FCPE''*) as proposed by BNP Paribas.

Following the initial public offering of the Issuer, the Issuer offered a reserved rights issue to the employees of the Group for a total amount of €1,034,417.92 (or 52,138 shares) (0.04% of the Issuer's shares capital).

MANAGEMENT OF SFR

Senior Management

Jean-Yves Charlier serves as Chairman of the Board of Directors and CEO of SFR. He was appointed Chairman and CEO of SFR on August 2, 2013.

SFR's executive committee is composed of the following members:

- Pierre-Alain Allemand, Executive Vice President, Networks, Information Systems, Wholesale
- Frank Cadoret, Executive Vice President, Retail
- Sandrine Dufour, Executive Vice President, Finance and Strategy
- Olivier Henrard, Executive Vice President, Company Secretary
- Jean-Marc Lazzari, Executive Vice President, Business Team
- François Rubichon, Executive Vice President, Human Resources, General Affairs and Organization

Biographies of Senior Management:

Jean-Yves Charlier, 51, Belgian, is the Chairman and Chief Executive Officer of SFR. In 1987, he joined the Wang group in France before becoming Vice President of Wang International in 1995. In 1996, he joined the Equant Group, first as President of the Integration Services division, then as President of Global Marketing, Sales and Services. In 2002, he joined the BT group, with responsibility for Europe and Operations within the Global Services division. In 2004, he was appointed CEO of Colt Telecom Group and led the European telecommunications operator's restructuring. He is also familiar with the business of start-ups: from 2007 to 2012, he served as Chief Executive Officer of Promethean, a company that specializes in interactive educational products and media for teachers. In 2008, he joined Vivendi as a member of the group's Supervisory Board and Chairman of its Strategic Committee. In August 2012, he was appointed Senior Executive Vice President in charge of Vivendi's Telecoms Activities. Jean-Yves Charlier holds a Masters of Business Administration (MBA) in strategy and marketing from Wharton Business School.

Pierre-Alain Allemand, 41, French, is SFR's Executive Vice President of Networks, Information Systems and Wholesale. A graduate of the Ecole Spéciale des Travaux Publics, Pierre-Alain Allemand began his career working on major industrial projects with Spie, before joining LDCOM in 1999 to help build its long-distance network. He then held various positions within the Operations Division, then the Networks Division, in particular as Head of the Data Business Unit from 2004.

Frank Cadoret, 57, French, has been SFR's Executive Vice President of Consumers and Professionals since June 2010. He joined SFR in 1995 as the CEO of subsidiary SCS C2 GSM, before being appointed Head of Sales and then Executive Vice President of Sales and Customer Care and Consumers and Wholesale, making him one of the key players of SFR's early development. A graduate of the ESSCA with a postgraduate degree in Management, he began his career as a management controller, before taking on the roles of Sales Manager of Thomson Electroménager, Sales Manager and Executive Manager of a services compan, Chaffoteaux et Mory and Executive Manager of VAG France.

Sandrine Dufour, French, has been SFR'S Executive Vice President of Finance and Strategy since May 2013. She was previously Vivendi's deputy Chief Financial Officer since May 2004 and Vivendi's Executive Vice President of Innovation since October 2010. She joined Vivendi in 1999. Prior to Vivendi, she was a financial analyst at BNP and at CAI Cheuvreux, specializing in the telecom industry. She is a graduate of ESSEC business school and is a CFA (Chartered Financial Analyst).

Olivier Henrard, 48, French, has been SFR's Company Secretary since March 2013. In charge of Regulatory and Legal and Public Affairs, he is also the Secretary of the Board of Directors. He received two degrees in law and political science from Aix-en-Provence University and Sciences-Po Aix. He managed various cultural departments at the Paris City Hall from 1993 to 1999. He then enrolled in the French National School of Administration. Upon completing these studies, in 2003, he was appointed to France's highest administrative court, the Conseil d'Etat, where he served until 2007 as a judge and a legal advisor to the government.

Jean-Marc Lazzari, French, has been SFR's Executive Vice President of the Business Team since July 2013. Until June 2013, he was the Chairman of Logica France. From 1995 to 2005, he was Head of IBM' sHuman Resources and Benefits and Compensation activities worldwide, then Vice President of the group's Business Consulting Services for the EMEA West region. In 2005, he became Vice President and General Manager of Unisys Europe, before joining Logica France in 2008.

François Rubichon, French, has been SFR's Executive Vice President of Human Resources and General Affairs and Organization since September 2013. Previously, he was the Deputy CEO of Aéroports de Paris which manages Paris airports. Since 2012, he acted as Advisor to the CEO of national postal services group, La Poste. In 2002, he became Deputy Head of the Office of the Minister of Equipment, Transport, Housing, Tourism and the Sea. He is a certified senior civil servant and a graduate of both Sciences Po Paris in 1985 and the Ecole Nationale Supérieure des Postes et Télécommunications in 1989.

PRINCIPAL SHAREHOLDERS

The Issuer

The table below sets forth the allocation of the Issuer's share capital as at the date of this offering memorandum, and as-adjusted following the completion of the Transactions, including giving effect to the acquisition by Altice France of all of the ordinary shares in the Issuer held by Carlyle Cable Investment SC and CCI (F3) S.à r.l. pursuant to an agreement entered into with Altice S.A. and the Altice France and completion of the Rights Issue. For further details, see ''*The Transactions*''.

Shareholders	Number of shares (Actual)	% of share capital and voting rights (Actual)	% of share capital and voting rights (As-adjusted)
Total Altice and shares considered to be owned by Altice[(1)]	49,577,185	40.0%	59.7%
Carlyle	26,427,008	21.3%	—
Cinven	16,442,283	13.3%	—
Public Float and other	31,495,536	25.4%	20.3%
Vivendi.	—	—	20.0%
Total	**123,942,012**	**100.0%**	**100.0%**

(1) Including the call options granted by the Pechel Funds and the Five Arrows Funds, in accordance with Article L.233-9 of the French Commercial Code and assuming that Altice will exercise the preferential subscription rights attached to shares currently owned by the Pechel Funds and the Five Arrows Funds.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Group has entered into various agreements or transactions with its principal shareholders and the companies that they control. See also Note 29, ''Related Party Transactions'' to the Numericable Group's consolidated financial statements for the year ended December 31, 2013 included elsewhere in this offering memorandum. The Numericable Group intends to comply with the recommendations of the AFEP-MEDEF Code and with the AMF's recommendations, in particular point 27 of recommendation no2012-05 of July 2, 2012, in respect of related party transactions.

Transactions with Entities Controlled by Altice

Transactions with Coditel

On May 19, 2011, Ypso France S.A.S. and certain of its subsidiaries entered into a stock purchase agreement with Coditel Holding S.A., pursuant to which Numericable sold all of its shares of Coditel Belgium and Coditel Luxembourg—the companies through which Numericable operated its cable business in Belgium and Luxembourg—for a gross sale price of €360 million. The sale, conducted in an auction process, closed on June 30, 2011. Coditel Holding S.A. is controlled by Altice S.A.

In connection with this disposal, Numericable entered into a transitional service agreement and a trademark licensing agreement with Coditel Holding S.A. to ensure continuity of operations (*see* ''—*Service Agreement*'' and ''—*Trademark Licensing Agreement*'').

For the year ended June 30, 2013, Coditel Holding S.A.'s revenues amounted to approximately €5.7 million. For the years ended December 31, 2012 and 2011, such revenues amounted to approximately €2 million and €14.7 million, respectively.

Service Agreement

On December 31, 2011, Numericable entered into a service agreement with Coditel Holding S.A. (the ''Coditel Service Agreement''), pursuant to which Numericable undertook to continue providing all of the services to Coditel Holding S.A. that it had provided prior to the sale. These included, in particular:

- VOD platform and content services;
- engineering services for television, IP and voice;
- support and assistance in the purchase of the hardware and devices needed for operations, including, in particular, set-top boxes and software, broadband routers and cell phones, as well as television and VOD content;
- providing signals for television channels and existing data streams on Numericable's backbone network;
- updating Coditel's invoicing software; and
- continuous support for Coditel's systems currently located on Numericable's premises or supported from Numericable's systems.

In return for the services provided, Coditel Holding S.A. agreed to pay Numericable a flat fee of €100,000 per year. In addition, Coditel Holding S.A. pays Numericable 10% of its monthly VOD revenues.

The Coditel Service Agreement had an initial term of six years and is renewed automatically from year to year, subject to the right of either party to terminate the agreement upon six months' prior notice. Moreover, Numericable may terminate the Coditel Services Agreement immediately if Coditel Holding S.A. is purchased by one of Numericable's competitors.

Since 2013, the group is providing individual user platform services for Coditel's TV decoders.

Trademark Licensing Agreement

On June 30, 2011, Coditel Holding S.A. and Numericable also entered into a trademark licensing agreement (the ''Trademark Licensing Agreement'') pursuant to which Numericable granted Coditel Holding S.A. an exclusive license to use the Numericable trademark, registered under number Ma14502, in Belgium and Luxembourg in connection with the offering, promotion and marketing of television, internet and telephone products and services, including marketing LaBox. The license fee is included in the €100,000 annual fee paid under the Coditel Service Agreement. The Trademark

Licensing Agreement will terminate automatically on June 30, 2017 upon expiry of the Coditel Service Agreement, or earlier if such agreement is terminated prior to such date. Moreover, Numericable may terminate the Trademark Licensing Agreement immediately if Coditel Holding S.A. is purchased by one of Numericable's competitors.

Transactions with Le Câble, Outremer Télécom, HOT and Cabovisão

Altice S.A. controls the telecommunications operators Martinique TV Câble S.A. and World Satellite Guadeloupe S.A. (''Le Câble'') (which operates cable networks in the French Overseas Territories), Outremer Telecom (which operates in certain French overseas territories), HOT Telecommunication Systems Ltd. (which operates in Israel) and Cabovisão—Televisão por cabo, S.A. (Cabovisão) (which operates in Portugal).

Transactions with Altice Blue Two

On October 24, 2013, Numericable and Completel entered into a services agreement (the ''French Overseas Services Agreement''), with Altice Blue Two, a subsidiary of Altice S.A., which conducts telecommunication operations in certain French overseas territories, controlling Le Câble and Outremer Telecom, pursuant to which Numericable and Completel agreed to provide the following services:

- Signal transportation from France to the French West Indies;
- Tele-distribution of digital television;
- Internet services;
- Telephony services;
- Information technology tools;
- Interconnection services; and
- Maintenance services.

The Altice Blue Two Service Agreement replaced a previous services agreement entered into on June 24, 2011 by Numericable and Completel with Le Câble.

The Overseas Services Agreement was entered into for an initial term expiring on December 31, 2019, at which time, absent six-month's notice by either party, the contract will be renewed for an indefinite period. The contract may then be terminated at any time by either party upon six months' notice. Altice Blue Two may also terminate the Overseas Services Agreement or any and all of the services, or any individual service, at any time, upon one month's notice.

On October 24, 2013, Numericable also entered into a trademark licensing agreement (the ''Overseas Trademark Licensing Agreement'') with Altice Blue Two pursuant to which Numericable granted a non-exclusive license to use the brand ''Numericable'', in Guadeloupe, Martinique, Mayotte and La Réunion and in connection with the manufacturing and/or sale of products and the supply of all services covered by the ''Numericable'' brand. The Overseas Trademark Licensing Agreement has replaced the licensing agreement that had been entered into on June 24, 2011 between Numericable and Le Câble. The annual fee due under this license is included in the larger fees for services provided under the Overseas Services Agreement. The Overseas Trademark Licensing Agreement was entered into for an initial period expiring December 31, 2019 and is automatically renewed annually, subject to the right of either party to terminate the contract upon three months' notice.

The prices paid for supplying such services are at market rate.

Transactions with Other Operators, Wananchi, HOT and Cabovisão

The Numericable Group pays call termination fees on these operators' networks for calls made by the Numericable Group's subscribers to subscribers of these networks, and the Numericable Group receives call termination fees from these networks for calls made by their subscribers to the Numericable Group's subscribers. The Group also provides software licenses and user interaction platform services to most of these operators. All of these services are provided on market terms.

Valvision Acquisition

On June 27, 2013, the Numericable Group acquired from an affiliate of Altice S.A. 100% of the shares of Valvision, a small telecommunications operator with business primarily in the cities of Audincourt, Dole, Moretau and Montbeliard. In 2012, Valvision generated revenue of approximately €2 million. At the end of 2012, it had 5,000 individual customers and 8,000 bulk customers. The Group believes that the acquisition price, determined based on multiple criteria, was fair, in particular taking into account the scarcity of such an asset in France. In December 2013, Valvision merged with Numericable S.A.S. which was itself merged into NC Numericable.

Transactions with Auberimmo

Altice S.A. owns Auberimmo, which rents infrastructure to the Numericable Group. Auberimmo's only client is Completel S.A.S., a Numericable Group member. The Numericable Group estimates that the rental payments correspond to the rental value of such infrastructure. For the years ended December 31, 2013, 2012 and 2011, the Numericable Group paid Auberimmo total rental payments of €1.1 million, €1.1 million and €1.0 million, respectively.

Transactions with MCS

Altice indirectly holds 100% of MCS. On October 24, 2013, Numericable and Valvision entered into a TV channel distribution and sale contract with MCS pursuant to which MCS granted a non-exclusive license to Altice to distribute and sell the following channels: (i) Ma Chaîne Sport (MCS), MSC Extrême, MCS Bien-Etre et MCS Tennis in digital, SD and HD, over xDSL and cellular technology, (ii) MCS Tennis over-the-top and (iii) all channels, except MCS Tennis, through its cable/fiber network. This agreement was retro-active from January 1, 2013. This agreement will expire on December 31, 2017.

Transactions with Carlyle

Sagemcom, the Group's current provider of set-top boxes, in particular LaBox, was acquired by funds managed by Carlyle on August 17, 2011. The Group believes that the price it pays Sagemcom for the purchase of its set-top boxes is a market price. For the fiscal years ended December 31, 2013, 2012 and 2011, the Group bought set-top boxes from Sagemcom for a total purchase price of € 53.9 million, €40.2 million and €53.7 million, respectively.

Mr. Johnathan Zafrani represents Carlyle on the Company's board of directors. In the context of his role at Carlyle, Mr. Zafrani is a member of the board of directors of a certain number of Carlyle investment portfolio companies, including Sagemcom Holding, parent company of Sagemcom.

Transaction with B&B Hôtels

On December 31, 2013, the Group entered into a service agreement with B&B Hôtels and Economich (together the ''B&B Hotel group''), which are both controlled by Carlyle since 2010, pursuant to which the Group provide the following services: high speed Internet, IP Private network connected all B&B Group's sites, IT Security, fixed-line telephony, TV and other telecom and IT services.

This agreement was entered into for an initial term of five years, subject to renewal.

DESCRIPTION OF OTHER INDEBTEDNESS

Set forth below is a summary of certain of our existing significant debt arrangements. The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

The following section discusses the main categories of the Numericable Group's financial liabilities.

Numericable Group Term Loan

Overview

The Issuer has entered into a senior secured term loan credit facility (the ''Numericable Group Term Loan'') which is expected to provide euro and U.S. dollar term loans in an aggregate principal amount equivalent to €5,600 million, with the Issuer, Ypso France S.A.S and Numericable U.S. LLC as borrowers (the ''Term Loan Borrowers''), certain lenders party thereto and Deutsche Bank AG, London Branch as the Administrative Agent and as the Security Agent (the ''Numericable Group Term Loan Agreement''). The Numericable Group Term Loan Agreement permits the Term Loan Borrowers to draw term loans up to the committed principal amount on up to two occasions until April 30, 2015. Availability of the Numericable Group Term Loan at each drawing is subject to specified conditions precedent. Proceeds of the term loans, together with the other sources of funds described under ''*Use of Proceeds*,'' will be used to finance a portion of the Transactions and related fees and expenses.

The Term Loan Borrowers may draw under the Numericable Group Term Loan on two occasions, at any time on or prior to the earlier of (a) the date on which the portion of the lenders' commitments under the Numericable Group Term Loan not related to the Refinancing Transactions cease to exist by virtue of the Acquisition being abandoned or funded by other means, (b) July 31, 2014 unless the exclusivity granted to the Issuer in respect of the Acquisition has been extended and (c) April 30, 2015 (the ''Commitment Termination Date'').

Interest Rate and Fees

Borrowings under the Numericable Group Term Loan bear interest at a rate per annum equal to an applicable margin plus (i) in the case of U.S. dollar denominated loans, at our option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds rate plus %, (2) the prime rate quoted in the print edition of The Wall Street Journal, Money Rates Section as the prime rate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus % and (4) a floor of % or (b) a LIBOR rate not greater than (A) a rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, and (B) %, and (ii) in the case of euro-denominated loans, a EURIBOR rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such EURIBOR rate shall not be greater than %.

The applicable margin shall mean, for any day, (a) with respect to any alternative base rate loan, % per annum, (b) with respect to any Eurodollar loan, % per annum and (c) with respect to any Euro denominated loan, % per annum.

In addition to paying interest on outstanding principal under the Numericable Group Term Loan, we are required to pay a ticking fee to the lenders in respect of the unutilized commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

Mandatory Prepayments

The Numericable Group Term Loan 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) commencing with the fiscal year ended December 31, 2014, 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than 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

Prepayments of the Numericable Group Term Loan on or prior to December 15, 2014 (or, if the Completion Date occurs on a date earlier than June 15, 2014, on the six month anniversary of that date) which are either (x) in connection with a Repricing Transaction (as defined in the Numericable Group Term Loan) or (y) effects any amendment of the Numericable Group Term Loan 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 Numericable Group Term Loan so repaid and in the case of (y) a payment equal to 1% of the aggregate amount of the Numericable Group Term Loan subject to such Repricing Transaction.

Amortization and Final Maturity

Beginning with the first full fiscal quarter of the Issuer after the Commitment Termination Date or, if earlier, the first date after the occurrence of both the Refinancing Transactions and the Acquisition, we will be required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the Numericable Group Term Loan, with the balance expected to be due on the sixth anniversary of the completion date.

Guarantees

Each Guarantor of the Notes and the Issuer guarantees, on a senior basis, the obligations of each other obligor under the Numericable Group Term Loan Agreement and related finance documents except, in the case of certain Guarantors, the Acquisition Facility, and in any event subject to applicable guarantee limitations specified therein.

Security

The Numericable Group Term Loan is secured by the same collateral securing, *inter alia*, the Notes (other than any security over the proceeds of the Notes deposited in the Escrow Accounts) with the exception of certain collateral which does not secure the Acquisition Facility.

Certain Covenants and Events of Default

The Numericable Group Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in each Indenture, and among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations.

The Numericable Group Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control triggering event). If an event of default occurs, the lenders under the Numericable Group Term Loan will be entitled to take various actions, including the acceleration of amounts due under the Numericable Group Term Loan Agreement and all actions permitted to be taken by a secured creditor, subject to the Numericable Group Intercreditor Agreement.

Following the Transactions, the Numericable Group Term Loan will permit the incurrence of indebtedness so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 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 not default or event of default outstanding, the Numericable Group Term Loan Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date 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 Numericable Group Term Loan Agreement are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

The Numericable Group Revolving Credit Facilities Agreement

The Issuer and certain of its subsidiaries will enter into the Numericable Group Revolving Credit Facilities Agreement pursuant to which certain lenders party thereto (the ''Numericable RCF Lenders'') have agreed to provide the Issuer and certain of its subsidiaries with a €750 million senior secured revolving facility (the ''Numericable Group Revolving Facilities'') split into: (i) a €300 million revolving facility (the ''Numericable Group Facility A'') available from the date of the Refinancing Transaction; and (ii) a €450 million revolving facility (the ''Numericable Group Facility B''), available from the date of the Acquisition. Subject to certain requirements, the Numericable Group Revolving Facilities may be utilised by way of guarantees.

The description set forth below sets out the principal terms and conditions of the Numericable Group Revolving Credit Facilities Agreement.

The Numericable Group Revolving Facilities

Limitations on Use of Funds

The Numericable Group Revolving Facilities may be 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''), including, but not limited to, in connection with the Refinancing Transaction and/or the Acquisition.

Conditions to Borrowing

A drawdown under the Numericable Group Revolving Credit Facilities Agreement cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further 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 Numericable Group Revolving Credit Facilities Agreement.

Incremental Facility

Subject to the satisfaction of certain conditions set out in the Numericable Group Revolving Credit Facilities Agreement, a new commitment lender (selected by the Issuer) may provide new or additional commitments under the Numericable Group 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 Numericable Group Revolving Facilities for terms of one, two, three or six months (or any other period agreed by the the Issuer and the facility agent), but no such period shall end beyond the final maturity date of the Numericable Group Revolving Credit Facilities Agreement. Drawdowns under the Numericable Group Revolving 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 Numericable Group 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 Numericable Group Revolving Credit Facilities Agreement is between % and % 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).

With respect to amounts under the Numericable Group Revolving Credit Facilities Agreement, the Issuer is obligated to pay a commitment fee on the available undrawn amounts at the rate of 40% of the margin calculated on undrawn and un-cancelled commitments from a date to be agreed between Numericable and the Lenders until one month prior to the final maturity date of the Numericable Group Revolving Credit Facilities Agreement.

Repayment

The final maturity date of the Numericable Group Revolving Credit Facilities Agreement will be the earlier of (i) the date falling five years after the date of the Refinancing Transaction, (ii) the date falling five years after the date on which the proceeds in the Escrow Accounts are released and (iii) the date on which the Numericable Group Revolving Facilities are fully repaid and cancelled.

Automatic Cancellation

Customary partial or total cancellation events apply to the Numericable Group Revolving Facilities, including where it becomes unlawful for any Numericable RCF Lender to fund, issue or maintain its participation in the Numericable Group Revolving Facilities.

In addition, Numericable Group Facility B will be automatically and permanently cancelled (i) if the Notes are repaid pursuant to a Special Mandatory Redemption, (ii) if the Acquisition has not occurred on or before a long stop date agreed with the Numericable RCF Lenders, or (iii) if Vivendi enters into a sale and purchase agreement in respect of SFR other than with the Issuer or an affiliate of the Issuer or if the Issuer or an affiliate of the Issuer withdraws from the Acquisition (each, a ''Numericable Facility B Cancellation Event'').

Numericable Group Facility A will be permanently cancelled (i) in full if a Numericable Facility B Cancellation Event occurs before the date of the Refinancing Transaction or (ii) in part only (at the option of the Lenders) if a Numericable Facility B Cancellation Event occurs after the date of the Refinancing Transaction provided that the aggregate amount of Numericable Group Facility A following any cancellation will not be less than EUR 150 million.

Mandatory Prepayment

Upon the occurrence of a Change of Control (as defined in the Numericable Group Revolving Credit Facilities Agreement), the Issuer and the other borrowers thereunder must repay the Numericable Group Revolving Facilities in full together with accrued interest and all other amounts accrued under related finance documents and the Numericable Group Revolving Facilities 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 Numericable Group Revolving Facilities.

Guarantees

Each of the Guarantors of the Notes and the Issuer will also guarantee the obligations of each obligor under the Numericable Group Revolving Credit Facilities Agreement and related finance documents, subject to applicable guarantee limitations specified therein.

Security

The Numericable Group Revolving Credit Facilities will be secured by the same collateral as the Notes (other than the security over the proceeds of the Notes deposited in the Escrow Accounts).

Representations and Warranties

The Numericable Group Revolving Credit Facilities Agreement will contain representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Numericable Group Revolving Credit Facilities Agreement will contain certain restrictive covenants which substantially reflect the covenants contained in each Indenture.

The Numericable Group Revolving Credit Facilities Agreement will also require 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) *pari passu* ranking of all payment obligations under the Numericable Group 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 collateral; (xi) an entity not moving its centre of main interest from its jurisdiction of incorporation; and (xii) restricting the making of proceeds drawn under the facilities available to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

The Numericable Group Revolving Credit Facilities Agreement will require the Issuer and the Numericable Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio (as defined in the Numericable Group Revolving Credit Facilities Agreement) of no more than 4.00:1.00, only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the Numericable Group Revolving Credit Facilities Agreement at the end of each financial quarter.

The Numericable Group Revolving Credit Facilities Agreement will contain 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 Numericable Group Intercreditor Agreement.

Numericable Group Intercreditor Agreement

To establish the relative rights of certain of our creditors, the obligors under the Notes, the Numericable Group Revolving Credit Facilities Agreement, the Numericable Group Term Loan and certain counterparties to hedging obligations relating to the foregoing, will enter into an intercreditor agreement (the ''Numericable Group Intercreditor Agreement'') with:

- the creditors of the Numericable Group Revolving Credit Facilities (the ''RCF Creditors'');
- the creditors of the Numericable Group Term Loan (the ''TLB Creditors'');
- any persons that accede to the Numericable Group Intercreditor Agreement as counterparties to certain hedging agreements in accordance with the terms of the Numericable Group Intercreditor Agreement (the ''Hedging Agreements'' and any person that accedes to the Numericable Group Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the ''Hedging Banks'');
- any persons that accede to the Numericable Group 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 Numericable Group Intercreditor Agreement (the ''Future Bank Creditors'', together with the RCF Creditors, the TLB Creditors, the ''Senior Bank Creditors'');
- upon its accession, the Trustee for the Notes on its behalf and on behalf of the Holders of the Notes (the ''Senior Secured Notes Creditors'' and, together with the Senior Bank Creditors and Hedging Banks, the ''Senior Secured Creditors'');
- any persons that accede to the Numericable Group Intercreditor Agreement as trustee for any senior subordinated notes (the ''Senior Subordinated Notes Trustee'' on its behalf and on behalf of the holders of such senior subordinated notes (the ''Senior Subordinated Notes Creditors'' or the ''Senior Subordinated Creditors'');
- certain intra group creditors (the ''Intercompany Creditors'');

- any persons that accede to the Numericable Group Intercreditor Agreement in their capacity as creditors of any shareholder debt (the ''Shareholders'' and together with Intercompany Creditors, the ''Subordinated Creditors'');
- Deutsche Bank AG, London Branch, as security agent for the Senior Secured Creditors (the ''Security Agent''); and
- Deutsche Bank AG, London Branch, as facility agent or any other administrative agent or replacement agent.

The Numericable Group Intercreditor Agreement provides that future indebtedness may be incurred by us and our subsidiaries subject to the terms of the Numericable Group Intercreditor Agreement and each finance document then existing. Any future indebtedness to be designated under the Numericable Group 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 Numericable Group 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 remains outstanding. In addition, in certain circumstances (as set out in the Numericable Group 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 (each as defined below) has been discharged and while any Senior Secured Notes Debt 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 (as defined below) remains outstanding) the Senior Subordinated Creditors.

By accepting a Senior Secured Note the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Numericable Group Intercreditor Agreement .

The following description is a summary of certain provisions, among others, that are contained in the Numericable Group Intercreditor Agreement that relate to the rights and obligations of the Senior Secured Notes Creditors. It does not restate the Numericable Group Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt or capital expenditures.

Order of Priority

Ranking & Priority

The Numericable Group Intercreditor Agreement provides, subject to certain provisions, that the liabilities of each issuer, obligor or borrower subject to the Numericable Group Intercreditor Agreement (the ''Obligors'') under or in respect of, amongst others, the Numericable Group Revolving Credit Facilities Agreement (the ''RCF Debt''), the Hedging Agreements (the ''Hedging Debt''), any Senior Bank Facilities (the ''Future Bank Debt''), the Numericable Group Term Loan (the ''TLB Debt''), together with the RCF Debt and any Future Bank Debt, (the ''Senior Bank Debt''), the Existing 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 Notes (the ''Senior Subordinated Notes Debt'') liabilities owned by Holdco to any Senior Subordinated Creditor (the ''Subordinated Notes Issuer Debt''), liabilities owed by the guarantors of any Senior Subordinated Notes to any Senior Subordinated Creditors (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 the Trustee, *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 Numericable Group 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 Notes Debt, the Senior Subordinated Notes Guarantee Debt and the 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 Notes 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 Numericable Group 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 Senior Secured Debt documents;
- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Notes Debt or the Holdco Debt or any other Subordinated Debt, or otherwise to provide financial support in relation to such liabilities, except in respect of any Senior Subordinated Notes Debt in connection with any such payment or acquisition of any Senior Subordinated Notes Debt by the issuer of the Senior Subordinated Debt (the ''Senior Subordinated Notes Issuer'').

Limitation of Credit Support

Pursuant to the Numericable Group Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt. The Obligors are also prohibited from granting any security in favor of the Senior Subordinated Notes Debt or the Subordinated Debt except (in respect of the Senior Subordinated Notes Debt) for security that is permitted under their respective Indenture and given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt, and other security agreed by the Relevant Majority of the Super Priority Creditors (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 Numericable Group 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 Numericable Group 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 Instructing Group. 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 Numericable Group 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 Numericable 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 Numericable Group 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 Numericable Group 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 Numericable Group 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 Numericable Group 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 Creditors SPV''), Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment of any Senior Secured Debt, Senior Subordinated Notes Debt or Subordinated Debt which is prohibited by the Numericable Group 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 Numericable Group 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 Numericable Group 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 or the Instructing Group) the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Secured Debt owed by such Insolvent Obligor.

If any Obligor commences a case under the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., as amended (the ''US Bankruptcy Code'') (a ''US Insolvency Proceeding''), the Numericable Group Intercreditor Agreement provides that it shall be effective during the US 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 US Insolvency Proceeding consent for the provision of any debtor-in-possession financing under section 364 of the US 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 US Bankruptcy Code shall only require the consent of the majority of the Senior Creditors. Notwithstanding anything to the contrary in the Numericable Group Intercreditor Agreement, that agreement provides that the parties to the Numericable Group Intercreditor Agreement shall retain all rights to vote to accept or reject any plan of reorganization, composition, arrangement or liquidation in connection with any US Insolvency Proceeding. In the event of a US Insolvency Proceeding, the provisions of the Numericable Group Intercreditor Agreement will be subject to interpretation and enforcement by the United States Bankruptcy Court with jurisdiction over the US Insolvency Proceeding and to the provisions of the US Bankruptcy Code.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of the Instructing Group) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor (ii) only with respect to shareholder debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor and (iv) receive all payments of or in respect of any debt owed by the Insolvent Obligor for application in accordance with the provisions set forth under ''—*Application of Proceeds*.'' Notwithstanding the foregoing, nothing shall (i) entitle any party to exercise or require any other party to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Senior Subordinated Debt; or (ii) be deemed to require any Senior Subordinated Notes Creditor to hold a meeting or pass any resolution at such meeting or give any consent pursuant to the terms of any finance documents, or (iii) authorize any Super Priority Creditor or Senior Secured Creditor to take any action against the Senior Subordinated Notes Issuer in respect of the Senior Subordinated Debt.

If the Security Agent is not entitled or does not take any of the actions referred to above, the representatives of Senior Subordinated Debt, the Senior Subordinated Notes 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 Notes 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 the 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 Notes 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 Numericable Group 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 Notes 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 Numericable Group 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 Numericable Group 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 Numericable Group 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 Numericable Group 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 Numericable Group 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 Numericable Group Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Secured Notes Creditors and the Majority Senior Subordinated Creditors, the Issuer and the Security Agent.

Notwithstanding any other provision of the Numericable Group Intercreditor Agreement, if at any time a member of the Group wishes to incur additional debt which is permitted or not prohibited by the Numericable Group Intercreditor Agreement and each other finance document in force at such time, to be incurred and to have the benefit of the Numericable Group 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 Numericable Group Intercreditor Agreement) to the Numericable Group 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 Numericable Group Intercreditor Agreement. Such changes shall be binding on all parties to the Numericable Group Intercreditor Agreement (without requiring the consent of any Representative or other party) provided that no additional obligations, other than those set forth in the Numericable Group 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 Numericable Group Intercreditor Agreement in accordance to each Representative.

Finance Leases

In November 2013, NC Numericable and Completel concluded a general finance lease with BNP Paribas Rental Solution relating to the purchase and the subsequent lease of various equipment provided by telecom equipment providers such as Huaweï, Alcatel or others (aside from Cisco) for a three-year term.

In May and June 2013, NC Numericable S.A.S. entered into a sale-and-leaseback transaction, for a period of 36 months, with respect to LaBox set-top boxes with Lease Expansion for €12.7 million and €5.9 million, respectively.

The Numericable Group entered into a general lease agreement with Cisco in January 2011, which covers most equipment the Numericable Group sources from Cisco (consisting primarily of data network parts and CPEs, such as servers), with a lease term of 3 years.

In 2001, NC Numericable S.A.S. entered into a finance lease with a 15-year term with respect to an office building located in Champs-sur-Marne. The Numericable Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

In addition, several companies of the Numericable Group have entered into various finance leases with respect to real property (for terms generally between 20 and 30 years) and office equipment (typically for terms of four years).

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (equal to a specific percentage).

As of December 31, 2013, the Numericable Group's total liability (present value of minimum lease payments) under finance leases amounted to €41.5 million. The average effective interest rate on finance leases was approximately 4.42% for the year ended December 31, 2013 compared to 3.24% for the year ended December 31, 2012. This increase in the average rate is primarily due to the cost of the new financing entered into with Lease Expansion. See Note 30.2 to the Numericable Group's financial statements included elsewhere in this offering memorandum.

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued a maximum € 25 million principal amount (excluding capitalized interest) of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) (''TSDI'') to Vilorex, a subsidiary of GDF Suez of which a €23.65 million principal amount has been subscribed. The TSDI are subordinated by law pursuant to Article L.228-97 of the French Commercial Code and expressly subordinated to part of the financing of the investments referred to below which was made available by NC Numericable S.A.S. The proceeds of the TSDI 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 TSDI bear interest at 7% per annum. Interest has been capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. If those triggers are reached and the TSDI are not prepaid, the interest rate steps up to 9% per annum. The TSDI contain a safeguard clause in connection with these triggers. From September 1, 2015 to September 1, 2019 the parties can call for a meeting to adjust the triggers so as to restore the economic balance which was contemplated at the time of issuance of the TSDI. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice in a minimum amount of €5 million. The TSDI are not transferable without NC Numericable S.A.S.'s consent. NC Numericable has a call option to purchase all of the outstanding TSDI for €1 from September 1, 2035. The TSDI must be prepaid in full if the SIPPREC concessions are transferred to a third party and that third party does not assume all of the rights and obligations of NC Numericable S.A.S. under the TSDI.

Security Deposits Received from Customers

Security deposits received from customers amounted to €51.9 million, €44.5 million and €42.9 million as at December 31, 2013, 2012 and 2011 respectively. These deposits are made when customers receive equipment from the Numericable Group, and the increase in the amount of deposits from December 31, 2011 to December 31, 2013reflects the increased deposits paid by customers for LaBox due to increased subscriptions including LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

DESCRIPTION OF NOTES

You will find definitions of certain capitalized terms used in this ''Description of Notes'' under the heading ''Certain Definitions''. Certain capitalized terms used in this ''Description of Notes'' may have different definitions that the same term used in other sections of this Offering Memorandum. For purposes of this ''Description of Notes'', references to the ''Issuer'' refer only to Numericable Group S.A.

Numericable Group S.A., a public limited liability company (*société anonyme*) incorporated in France, with registered office at Tour Ariane, 5 Place de la Pyramide, 92088 La Defénse Cedex and registered under sole identification number 794 661 470 RCS Nanterre (the ''*Issuer*''), will be the issuer of the Notes offered hereby.

The Issuer will issue:

(1) $920 million aggregate principal amount of its Senior Secured Notes due 2019 denominated in U.S. dollars (the ''*2019 Dollar Notes*'') and €500 million aggregate principal amount of its Senior Secured Notes due 2019 denominated in euro (the ''*2019 Euro Notes*'' and together with the 2019 Dollar Notes, the ''*2019 Notes*'') under an indenture (the ''*2019 Indenture*'') between, *inter alios*, itself and Deutsche Bank AG, London Branch, as trustee (the ''*2019 Notes Trustee*'') and Deutsche Bank AG, London Branch as security agent (the ''*Security Agent*'');

(2) $2,000 million aggregate principal amount of its Senior Secured Notes due 2022 denominated in U.S. dollars (the ''*2022 Dollar Notes*'') and €1,000 million aggregate principal amount of its Senior Secured Notes due 2022 denominated in euro (the ''*2022 Euro Notes*'' and, together with the 2022 Dollar Notes, the ''*2022 Notes*'') under an indenture (the ''*2022 Indenture*'') between, *inter alios*, itself and Deutsche Bank AG, London Branch, as trustee (the ''*2022 Notes Trustee*'') and the Security Agent; and

(3) $2,000 million aggregate principal amount of its Senior Secured Notes due 2024 denominated in U.S. dollars (the ''*2024 Dollar Notes*'') and €1,000 million aggregate principal amount of its Senior Secured Notes due 2024 denominated in euro (the ''*2024 Euro Notes*'' and, together with the 2024 Dollar Notes, ''*2024 Notes*'') under an indenture (the ''*2024 Indenture*'' and, together with the 2019 Indenture and the 2022 Indenture, the ''*Indentures*'' and each, an ''*Indenture*'') between, *inter alios*, itself and Deutsche Bank AG, London Branch, as trustee (the ''*2024 Notes Trustee*'' and, together with the 2019 Notes Trustee and 2022 Notes Trustee, the ''*Trustees*'') and the Security Agent.

The 2019 Dollar Notes, the 2022 Dollar Notes and the 2024 Dollar Notes are herein referred to as the ''*Dollar Notes*'', and 2019 Euro Notes, the 2022 Euro Notes and the 2024 Euro Notes are herein referred to as the ''*Euro Notes*''. 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, after deducting fees and expenses related thereto, together with borrowings under the Term Loans and the net proceeds from the Rights Issue to consummate the Transactions as described in this Offering Memorandum under ''The Transactions'' and ''Use of Proceeds''. The completion of the Target Acquisition is subject to the conditions set out in the Target Acquisition Documents, including the approval by the competent regulatory authorities in France. The date on which the Target Acquisition is consummated is herein referred to as the ''*Completion Date*''.

Pending consummation of the Target Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of:

(a) the offering of the 2019 Notes into segregated escrow account (the ''*2019 Notes Escrow Account*'');

(b) the offering of the 2022 Notes into segregated escrow account (the ''*2022 Notes Escrow Account*''); and

(c) the offering of the 2024 Notes into segregated escrow account (the ''*2024 Notes Escrow Account*'' and, together with the 2019 Notes Escrow Account and the 2022 Notes Escrow Account, the ''*Escrow Accounts*'' and each an ''*Escrow Account*''),

pursuant to the terms of an escrow agreement for each of the 2019 Notes, the 2022 Notes and the 2024 Notes (the ''*Escrow Agreements*'' and each an Escrow Agreement) dated as of the Issue Date among, *inter alios*, the Issuer, the relevant Trustee and Deutsche Bank AG, London Branch as escrow agent (the

“*Escrow Agent*”). Prior to the release of such proceeds from the Escrow Accounts, such funds will be invested in certain permitted investments including in cash and/or any highly-rated stable net asset value money market fund. If the Target Acquisition is not consummated on or prior to April 30, 2015 (the “*Escrow Longstop Date*”), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See “*—Escrow of Proceeds; Special Mandatory Redemption*”.

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer and will not be guaranteed. Assuming the Completion Date occurs on or prior to the Escrow Longstop Date and the funds are released from the Escrow Account, on the Completion Date, each of Ypso Holding S.à r.l., Ypso France SAS, Coditel Debt S.à r.l. Ypso Finance S.à r.l., NC Numericable SAS, Altice B2B France SAS, Completel SAS, Numericable US SAS and Numericable U.S. LLC (such guarantors (other than Ypso Holding S.à r.l. if it is merged, prior to the Completion Date into the Issuer with the Issuer being the surviving entity), the “*Completion Date Guarantors*”) will execute and deliver a supplemental indenture to each Indenture providing for a Note Guarantee on a senior basis. The release of the proceeds of the offering of the Notes from the Escrow Accounts will be subject to certain conditions. See “*—Escrow of Proceeds; Special Mandatory Redemption.*”

Each Indenture will be unlimited in aggregate principal amount and (i) $920 million aggregate principal amount of 2019 Dollar Notes and €500 million aggregate principal amount of 2019 Euro Notes, (ii) $2,000 million aggregate principal amount of 2022 Dollar Notes and €1,000 million aggregate principal amount of 2022 Euro Notes and (iii) $2,000 million aggregate principal amount of 2024 Dollar Notes and €1,000 million aggregate principal amount of 2024 Euro Notes will be issued in this offering. The Issuer may issue an unlimited principal amount of additional (i) 2019 Notes at later dates under the same 2019 Indenture (the “*Additional 2019 Notes*”), (ii) 2022 Notes at later dates under the same 2022 Indenture (the “*Additional 2022 Notes*”) and (iii) 2024 Notes at later dates under the same 2024 Indenture (the “*Additional 2024 Notes*” and, together with the Additional 2019 Notes and the Additional 2022 Notes, the “*Additional Notes*”); *provided*, *however*, that the Issuer will only be permitted to issue the applicable Additional Notes in compliance with the covenants contained in the applicable 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”, (i) references to the “2019 Notes” include the 2019 Notes and any Additional 2019 Notes that are actually issued, (ii) references to the “2022 Notes” include the 2022 Notes and any Additional 2022 Notes that are actually issued, (iii) references to the “2024 Notes” include the 2024 Notes and any Additional 2024 Notes that are actually issued and (iv) references to the “Notes” include the Notes and any Additional Notes that are actually issued. References to a “series” of Notes means the 2019 Notes, the 2022 Notes or the 2024 Notes as the context requires. The terms of the 2019 Notes include those set forth in the 2019 Indenture. The terms of the 2022 Notes include those set forth in the 2022 Indenture. The terms of the 2024 Notes include those set forth in the 2024 Indenture. No Indenture will be qualified under, or incorporate by reference any of the provisions of, or 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 Indentures, and refers to the Intercreditor Agreement, the Escrow Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indentures, the forms of Notes, the Intercreditor Agreement, the Escrow Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as holders of the Notes. Copies of the Indentures, the forms of Notes, the Security Documents, the Escrow Agreement and the Intercreditor Agreement are available as set forth under “Available Information”. See the section entitled “*Description of Other Indebtedness—Numericable Group 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 applicable Indenture.

General

The Notes

The Notes will:

- be general obligations of the Issuer;
- prior to the Completion Date, be secured by a first ranking assignment over the Escrowed Property (as defined below) and the rights of the Issuer under the Escrow Agreement, and following the Completion Date, benefit from the security as set forth below under ''—*Notes Security*'';
- as of the Completion Date, be guaranteed by the Completion Date Guarantors and within 90 days after the Completion Date, the Notes will be guaranteed by the Post-Completion Date 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 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; and
- 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.

Principal and Maturity

2019 Notes

The Issuer will issue $920 million aggregate principal amount of 2019 Dollar Notes and €500 million aggregate principal amount of 2019 Euro Notes on the Issue Date. The 2019 Notes will mature on , 2019 at which time 100% of the principal amount of the 2019 Notes shall be payable, unless redeemed prior thereto as described herein.

The Issuer may issue an unlimited principal amount of Additional 2019 Notes; provided, however, that the Issuer will only be permitted to issue Additional 2019 Notes in compliance with the covenants contained in the 2019 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 2019 Notes issued in this offering and, if issued, any Additional 2019 Notes, will be treated as a single class for all purposes under the 2019 Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the 2019 Indenture. However, in order for any Additional 2019 Notes to be denominated in U.S. dollars or euro to have the same CUSIP number and ISIN as the 2019 Dollar Notes or the 2019 Euro Notes, as applicable, such Additional 2019 Notes must be fungible with the Notes for U.S. federal income tax purposes.

2022 Notes

The Issuer will issue $2,000 million aggregate principal amount of 2022 Dollar Notes and €1,000 million aggregate principal amount of 2022 Euro Notes on the Issue Date. The 2022 Notes will mature on , 2022 at which time 100% of the principal amount of the 2022 Notes shall be payable, unless redeemed prior thereto as described herein.

The Issuer may issue an unlimited principal amount of Additional 2022 Notes; provided, however, that the Issuer will only be permitted to issue Additional 2022 Notes in compliance with the covenants contained in the 2022 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 2022 Notes issued in this offering and, if issued, any Additional 2022 Notes, will be treated as a single class for all purposes under the 2022 Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the 2022 Indenture. However, in order for any Additional 2022 Notes to be denominated in U.S. dollars or euro to have the same CUSIP number and ISIN as the 2022 Dollar Notes or the 2022 Euro Notes, as applicable, such Additional 2022 Notes must be fungible with the Notes for U.S. federal income tax purposes.

2024 Notes

The Issuer will issue $2,000 million aggregate principal amount of 2024 Dollar Notes and €1,000 million aggregate principal amount of 2024 Euro Notes on the Issue Date. The 2024 Notes will mature on , 2024 at which time 100% of the principal amount of the 2024 Notes shall be payable, unless redeemed prior thereto as described herein.

The Issuer may issue an unlimited principal amount of Additional 2024 Notes; provided, however, that the Issuer will only be permitted to issue Additional 2024 Notes in compliance with the covenants contained in the 2024 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 2024 Notes issued in this offering and, if issued, any Additional 2024 Notes, will be treated as a single class for all purposes under the 2024 Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the 2024 Indenture. However, in order for any Additional 2024 Notes to be denominated in U.S. dollars or euro to have the same CUSIP number and ISIN as the 2024 Dollar Notes or the 2024 Euro Notes, as applicable, such Additional 2024 Notes must be fungible with the Notes for U.S. federal income tax purposes.

The Dollar Notes will be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, and the Euro Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the:

(a) 2019 Dollar Notes will accrue at the rate of % per annum;

(b) 2022 Dollar Notes will accrue at the rate of % per annum;

(c) 2024 Dollar Notes will accrue at the rate of % per annum;

(d) 2019 Euro Notes will accrue at the rate of % per annum;

(e) 2022 Euro Notes will accrue at the rate of % per annum; and

(f) 2024 Euro 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 January 15 and July 15, commencing on July 15, 2014;
- be payable to the holder of record of such Notes on January 1 and July 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that payments on the Dollar Global Notes (as defined below) will be made to Cede & Co. as the registered holder of the Dollar Global Notes, and payments on the Euro Global Notes (as defined below) will be made to the Paying Agents which will in turn make such payments to Euroclear and Clearstream (in the case of the Euro Global Notes) and DTC or its nominee (in the case of the Dollar Global Notes).

Principal, interest and premium, if any, on any certificated securities (''*Definitive Registered Notes*'') will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in New York, New York and London, United Kingdom. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See ''—*Paying 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 (i) the City of London, United Kingdom (the ''*Principal Paying Agent*'') and (ii) New York, New York (the ''*U.S. Paying Agent*''). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 regarding the taxation of savings income (the ''*Directive*''), or any law implementing or complying with or introduced in order to conform to such Directive. The Principal Paying Agent will be Deutsche Bank AG, London Branch in London and the U.S. Paying Agent will be Deutsche Bank Trust Company Americas in New York (together, and collectively with any other paying agents, the ''*Paying Agents*'').

The Issuer will also maintain one or more registrars (each, a ''*Registrar*''). The initial Registrars will be Deutsche Bank Luxembourg S.A. (the ''*Euro Registrar*'') and Deutsche Bank Trust Company Americas (the ''*U.S. Registrar*'' and, together with the Euro Registrar, the ''*Registrars*'' and each a ''*Registrar*''). The Issuer will also maintain a transfer agent. The initial transfer agents will be Deutsche Bank Luxembourg S.A. (the ''*Euro Transfer Agent*'') and Deutsche Bank Trust Company Americas (the ''*U.S. Transfer Agent'' and, together with the Euro Transfer Agent, the ''Transfer Agents'' and each a ''Transfer Agent*''). The Registrars will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and will facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each Transfer Agent shall perform the functions of a transfer agent. Each Registrar shall provide a copy of the register and any update thereof to the Issuer and the Issuer shall maintain a register of the Notes at its registered office in order to comply with Luxembourg law (the ''*Duplicate Register*''). In case of discrepancy between any register and the Duplicate Register, the Duplicate Register shall prevail for Luxembourg law purposes.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as the applicable Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules and the regulations of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ''*144A Global Notes*'').
- The 144A Global Notes representing the 2019 Dollar Notes, the 2022 Dollar Notes and the 2024 Dollar Notes, collectively the ''*Dollar 144A Global Notes*'' and each a ''*Dollar 144A Global Note*'', 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 144A Global Notes representing the 2019 Euro Notes, the 2022 Euro Notes and the 2024 Euro Notes, collectively the ''*Euro 144A Global Notes*'' and each a ''*Euro 144A Global Note*'', will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear Bank SA/NV (''*Euroclear*'') and Clearstream Banking, société anonyme (''*Clearstream*'').

- Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ''*Regulation S Global Notes*'' and together with the 144A Global Notes, the ''*Global Notes*'').
- During the 40-day ''distribution compliance period'' (as such term is defined in Rule 902 of Regulation S under the Securities Act), the Regulation S Global Notes representing the 2019 Dollar Notes, the 2022 Dollar Notes and the 2024 Dollar Notes, collectively the ''*Dollar Regulation S Global Notes*'' and together with Dollar 144A Global Notes, the ''*Dollar Global Notes*'' and each a ''*Dollar Global Note*'' will initially be credited within DTC for the accounts of Euroclear and Clearstream. After the 40 day distribution compliance period ends, investors may also hold their interests in the applicable permanent Dollar Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.
- The Regulation S Global Notes representing the 2019 Euro Notes, the 2022 Euro Notes and the 2024 Euro Notes, collectively the ''*Euro Regulation S Global Notes*,'' together with the Euro 144A Global Notes, the ''*Euro Global Notes,*'' each a ''*Euro Global Note*'' and, together with the Dollar Global Notes, the ''*Global Notes*'' and each a ''*Global Note*'' will, on the closing date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Notes may be (1) held only through Euroclear and Clearstream or through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A. Ownership of interests in the Global Notes (''*Book-Entry Interests*'') will be limited to persons that have accounts with Euroclear, Clearstream or DTC, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under ''*Transfer Restrictions*''. In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC will be effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in the applicable 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable Regulation S Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the applicable 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 applicable 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 or €100,000 principal amount, as the case may be, and integral multiples of $1,000 in excess thereof or €1,000 in excess thereof, as the case may be, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the applicable Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the applicable Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under ''*Transfer Restrictions*''.

Subject to the restrictions on transfer referred to above, Dollar Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof and Euro Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indentures 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 Euroclear, Clearstream or DTC, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the applicable Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of applicable 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 applicable 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 Completion Date, the Notes will be guaranteed by the Completion Date Guarantors. Within 90 days after the Completion Date, the Notes will be guaranteed by Target (together with any other subsidiaries of Target that may guarantee the Notes, the ''*Post-Completion Date Guarantors*''). The date on which the Post-Completion Date Guarantors guarantee the Notes is referred to herein as the ''*Post-Completion Guarantee Date*''. Due to certain restrictions under Luxembourg and French laws related to financial assistance and/or corporate benefit, the guarantees of the Completion Date Guarantors and the Post-Completion Date Guarantors will be limited.

Each Note Guarantee of the Notes will:

- be a general obligation of the relevant Guarantor;
- rank *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor's Note Guarantee, including such Guarantor's Guarantee of Indebtedness under the 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 applicable Indenture and the Notes of the applicable series, 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, 2013, on an as-adjusted consolidated basis after giving effect to the Transactions and 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 €11,695 million equivalent aggregate principal amount of Indebtedness. The Indentures will permit the Issuer and the Restricted Subsidiaries to incur additional Indebtedness in the future. For the year ended December 31, 2013, the Guarantors (including the Completion Date Guarantors and Post-Completion Date Guarantors) represented 97.0% of the Issuer's *pro forma* consolidated revenues and 95.4% of Issuer's pro forma consolidated EBITDA. As of December 31, 2013, the Guarantors represented 99.6% of the Issuer's pro forma 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 of a series (the ''*Additional Guarantors*'') by causing it to execute and deliver to the applicable Trustee a supplemental indenture in the form attached to the applicable Indenture (and with such documentation relating thereto as such 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 applicable Indenture and the Notes of the applicable series, 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 Indentures and this ''*Description of Notes*'', references to the Note Guarantees include references to any Additional Guarantees and references to the Guarantors include references to any Additional Guarantors.

Releases of the Note Guarantees

The Note Guarantee of a Guarantor will terminate:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant 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*'';
- upon the designation in accordance with the Indenture of that Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in ''*—Defeasance*'' and ''*—Satisfaction and Discharge*'';
- in accordance with 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 applicable Indenture and the Notes of the applicable series.

The applicable 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 such Trustee. Neither such Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Notes Security

General

On the Issue Date, the Notes will be secured only by a security interest in the Escrowed Property.

On the Completion Date, the Notes will benefit from senior pledges over all of the capital stock of the Completion Date Guarantors and certain intercompany loans being entered into in connection with the Transactions (collectively, the ''*Completion Date Notes Collateral*'').

On the Completion Date, the Notes will also benefit from (a) senior pledges over the business (*fonds de commerce*) of NC Numericable SAS; (b) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Completion Date Guarantors and (c) certain bank accounts of the Issuer (collectively, the ''*Additional Numericable Group Collateral*'').

In addition, within 90 days after the Completion Date, the Notes will benefit from: (a) senior pledges over all of the capital stock of Target and any of its subsidiaries that become Guarantors; (b) a senior pledge over certain bank accounts of Target; (c) a senior pledge over the business (*fonds de commerce*) (including intellectual property) of Target; and (d) senior pledges over receivables owed to Target by certain of its subsidiaries (collectively, the ''*Target Group Collateral*'', and together with the Additional Numericable Group Collateral, the ''*Post-Completion Date Notes Collateral*''.)

The Completion Date Notes Collateral and Post-Completion Date Notes Collateral are collectively referred to herein as the ''*Notes Collateral*.''

None of the network assets of the Issuer, the Target or their respective Subsidiaries will be pledged as security for the Notes.

The Notes Collateral will also secure Indebtedness under the Revolving Credit Facility, the Senior Credit Facility and certain Hedging Obligations. Any other additional security interests that may in the future be granted to secure the obligations under the applicable Notes, the Note Guarantees and the applicable 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, second-ranking. Pursuant to the terms of the Intercreditor Agreement, the lenders under the Revolving Credit Facility, Senior Credit Facility 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 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 applicable 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—Numericable Group 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 our obligations under the Notes and such Notes Collateral may be reduced or diluted under certain circumstances.*''

The creditors under the Revolving Credit Facility, the creditors under the Senior Credit Facility, the counterparties to certain Hedging Obligations and the Trustees have, and by accepting a Note, each holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents. The creditors under Revolving Credit Facility, the creditors under the Senior Credit Facility, counterparties to certain Hedging Obligations and the Trustees have, and by accepting a Note, each holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Security Documents

Under the Security Documents, the applicable grantor of security has 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 Indentures (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, each 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, each Security Agent will also act on behalf of the lenders under the Revolving Credit Facility, the Senior Credit Facility, the counterparties under certain Hedging Obligations, and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties.

The Indentures 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 Indentures (the ''*Security Interests*''). Such Security Interests in the Notes Collateral will also secure the obligations under the Revolving Credit Facility, the Senior Credit Facility, the counterparties to certain Hedging Obligations and certain other Indebtedness permitted by the Indentures 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 Notes Collateral and the Guarantees will be released automatically, without your consent or the consent of the Trustees*''.

The Security Documents will provide that the rights with respect to the applicable 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 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 applicable 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 applicable Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the applicable 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 applicable Indenture and the applicable Notes;

(8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the applicable 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*"; or

(10) with the consent of holders of at least 75% in aggregate principal amount of applicable Notes (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, such Notes);

provided that, the Security Interests created by the Escrow Assignment may only be released upon release of all of the applicable Escrowed Property from the applicable Escrow Account in accordance with the terms of the Escrow Agreement.

Upon certification by the Issuer, the applicable 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 applicable Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the applicable 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 applicable Trustee.

Intercreditor Agreement

To establish the relative rights of certain creditors of the Group under its financing arrangements, including, without limitation, the lenders under the Revolving Credit 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, the Issuer, the Guarantors, the agent under the Revolving Credit Facility, the agent under the Senior Credit Facility, certain hedging counterparties and the Security Agent will enter into the Intercreditor Agreement. Please see "*Description of Other Indebtedness—Numericable Group Intercreditor Agreement*".

Upon release of the proceeds of the Notes from escrow, the Trustees will become party to the Intercreditor Agreement. 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 Senior Credit Facility, the lenders under the Revolving Credit Facility 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 Indentures 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 applicable 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 Indentures.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the applicable Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of this offering into the applicable Escrow Account. The initial funds deposited in:

(a) the 2019 Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the 2019 Notes Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the ''*2019 Notes Escrowed Property*''. The 2019 Notes Escrowed Property will be controlled by the Escrow Agent, and pledged on a first ranking basis in favor of, the 2019 Notes Trustee on behalf of the Holders of the 2019 Notes;

(b) the 2022 Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the 2022 Notes Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the ''*2022 Notes Escrowed Property*''. The 2022 Notes Escrowed Property will be controlled by the Escrow Agent, and pledged on a first ranking basis in favor of, the 2022 Notes Trustee on behalf of the Holders of the 2022 Notes; and

(c) the 2024 Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the 2024 Notes Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the ''*2024 Notes Escrowed Property*'' and, together with the 2019 Notes Escrowed Property and the 2022 Notes Escrowed Property, the ''*Escrowed Property*''. The 2024 Notes Escrowed Property will be controlled by the Escrow Agent, and pledged on a first ranking basis in favor of, the 2024 Notes Trustee on behalf of the Holders of the 2024 Notes.

Prior to the release of such proceeds from the Escrow Account, such funds will be invested in certain permitted investments including in cash and/or any highly-rated stable net asset value money market fund.

In order to cause the Escrow Agent to release any Escrowed Property to the Issuer (any such release, the ''*Release*''), the Escrow Agent and the applicable Trustee shall have received from the Issuer, on or before the Escrow Longstop Date, an officer's certificate, in the form attached to the Escrow Agreement to the effect that:

(i) (A) the Issuer or one of its direct or indirect subsidiaries has executed the Target Acquisition Documents; (B) the Target Acquisition Documents have not been modified, amended or waived in any respect that is material and adverse to Holders without the prior consent of the Holders of a majority of the outstanding Notes (it being understood and agreed that any increase or reduction in the purchase price shall not be deemed to be materially adverse to the Holders; *provided* that (i) any increase in the purchase price shall not be funded by Indebtedness and (ii) any reduction shall be allocated to ratably reduce the Rights Offering and the Notes and/or the Senior Credit Facility in proportion to the actual percentages that the amount of Rights Offering and the Notes and/or the Senior Credit Facility bear to the pro forma total capitalization of the Issuer and its subsidiaries after giving effect to the Transactions; (C) Target Acquisition Documents remain in full force and effect; and (D) the Target Acquisition will be consummated, promptly upon release of the Escrowed Property, on substantially the same terms as described in this Offering Memorandum under the heading ''*The Transactions—The Acquisition*'';

(ii) immediately following completion of the Acquisition, the Issuer will own, directly or indirectly, 100% of the outstanding Capital Stock of the Target (less ten shares which are owned by a third-party); and

(iii) as of the Completion Date, there are no events of bankruptcy, insolvency or court protection with respect to the Issuer.

The Release will occur promptly upon the satisfaction of the conditions set forth above. Upon the Release, the Escrowed Property will be paid out in accordance with the Escrow Agreement and each Escrow Account will be reduced to zero.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date; (b) the Target Acquisition Documents are terminated at any time prior to the Escrow Longstop Date; or (c) there is there an event of bankruptcy, insolvency or court protection with respect to the Issuer on or prior to the Escrow Longstop Date (the date of any such event being the ''*Special Termination Date*''), the Issuer will redeem all of the Notes (the ''*Special Mandatory Redemption*'') at a price (the ''*Special*

Mandatory Redemption Price'') equal to 100% of the initial issue price of each Note, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below and subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer in accordance with the terms of the Escrow Agreement, no later than one Business Day following the Special Termination Date, to the Trustees and the Escrow Agents, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer (the ''*Special Mandatory Redemption Date*''). On or before the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Principal Paying Agent for payment to each holder of the Notes to be redeemed the Special Mandatory Redemption Price for such holder's Notes and, concurrently with the payment to such holders, shall deliver any excess Escrowed Property (if any) to the Issuer.

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the applicable Trustee for the benefit of the holders of the applicable Notes a security interest in the applicable Escrow Account (each such security interest, the ''*Escrow Assignment*'').

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Optional Redemption

2019 Notes

Except as described below and except as described under ''*Redemption for Changes in Withholding Taxes*'' and ''*Escrow of Proceeds; Special Mandatory Redemption*'', the Notes are not redeemable until , 2016. On and after , 2016 the Issuer may redeem all or, from time to time, part of the 2019 Dollar Notes and/or the 2019 Euro Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

	Redemption Price	
Year	2019 Dollar Notes	2019 Euro Notes
2016	%	%
2017	%	%
2018	100.000%	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the 2019 Notes or the portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to , 2016, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the 2019 Dollar Notes and up to 40% of the original amount of the 2019 Euro Notes (including, in each case, the principal amount of any Additional Notes denominated in such currencies), upon not less than 30 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount of the 2019 Dollar Notes and % of the principal amount of the 2019 Euro Notes, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of each of the 2019 Dollar Notes (including the principal amount of any Additional 2019 Notes denominated in U.S. dollars) and the 2019 Euro Notes

(including the principal amount of any Additional 2019 Notes denominated in euro) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to , 2016 the Issuer may redeem all or, from time to time, a part of the Dollar Notes and/or the Euro Notes upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the 2019 Notes 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).

2022 Notes

Except as described below and except as described under ''*Redemption for Changes in Withholding Taxes*'' and ''*Escrow of Proceeds; Special Mandatory Redemption*'', the Notes are not redeemable until , 2017. On and after , 2017 the Issuer may redeem all or, from time to time, part of the 2022 Dollar Notes and/or the 2022 Euro Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

	Redemption Price	
Year	2022 Dollar Notes	2022 Euro Notes
2017	%	%
2018	%	%
2019	%	%
2020 and thereafter	100.000%	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to , 2017, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the 2022 Dollar Notes and up to 40% of the original amount of the 2022 Euro Notes (including, in each case, the principal amount of any Additional 2022 Notes denominated in such currencies), upon not less than 30 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 2022 Dollar Notes and % of the principal amount of the 2022 Euro Notes, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of each of the 2022 Dollar Notes (including the principal amount of any Additional 2022 Notes denominated in U.S. dollars) and the 2022 Euro Notes (including the principal amount of any Additional 2022 Notes denominated in euro) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to , 2017 the Issuer may redeem all or, from time to time, a part of the 2022 Dollar Notes and/or the 2022 Euro Notes upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the 2022 Notes 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).

2024 Notes

Except as described below and except as described under ''*Redemption for Changes in Withholding Taxes*'' and ''*Escrow of Proceeds; Special Mandatory Redemption*'', the 2022 Notes are not redeemable until , 2019. On and after , 2019 the Issuer may redeem all or, from time to time, part of the 2024 Dollar Notes and/or the 2024 Euro Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

	Redemption Price	
Year	2024 Dollar Notes	2024 Euro Notes
2019	%	%
2020	%	%
2021	%	%
2022 and thereafter	100.000%	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to , 2017, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the 2024 Dollar Notes and up to 40% of the original amount of the 2024 Euro Notes (including, in each case, the principal amount of any Additional 2024 Notes denominated in such currencies), upon not less than 30 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 2024 Dollar Notes and % of the principal amount of the 2024 Euro Notes, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of each of the 2024 Dollar Notes (including the principal amount of any Additional 2024 Notes denominated in U.S. dollars) and the Euro 2024 Notes (including the principal amount of any Additional 2024 Notes denominated in euro) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to , 2019 the Issuer may redeem all or, from time to time, a part of the 2024 Dollar Notes and/or the 2024 Euro Notes upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the 2024 Notes Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

For the avoidance of doubt, in each case above, the Issuer may choose to redeem each series of Notes, either together or separately.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Sinking Fund

Except as described under ''*Escrow of Proceeds; Special Mandatory Redemption*'', the Issuer 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 applicable series of Notes are to be redeemed at any time, the applicable Trustee or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which such series of 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 or Euroclear and Clearstream; *provided*, *however*, that no Dollar Note of $200,000 in aggregate principal amount or less shall be redeemed in part and only Dollar Notes in integral multiples of $1,000 will be redeemed and no Euro Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Euro Notes in integral multiples of €1,000 will be redeemed. Neither the Trustees 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 30 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 (in case of Dollar Notes) and Euroclear and Clearstream (in the case of Euro Notes) 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 applicable series of Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of such series of 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 was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of such Notes pursuant to the foregoing, the Issuer will deliver to the applicable 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 such 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 applicable 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 applicable Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

Withholding Taxes

All payments made under or with respect to the Notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax (''*Taxes*'') unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (each, a ''*Tax Jurisdiction*'') will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the ''*Additional Amounts*'') as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, 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 withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;

(8) all United States federal backup withholding taxes;

(9) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the ''*Code*''), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or

(10) any combination of items (1) through (9) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the 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 (10) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indentures, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5) or (7) through (9) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to any series of Notes or any related Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the applicable Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify such 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 applicable 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 such 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 such Trustee to the holders or beneficial owners of the Notes of the applicable series.

Whenever in the Indentures 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 applicable 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, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase a series of Notes as described under this heading, ''Change of Control'', in the event and to the extent that it has unconditionally exercised its right to redeem all of such series of Notes as described under ''—*Optional Redemption*'' or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Dollar Notes held by any holder to below $200,000 or the Euro Notes held by any holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes of a series 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 applicable Indenture, with a copy to the applicable 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 30 days nor later than 60 days from the date such notice is mailed) (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 applicable 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 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, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See ''*Risk Factors—Risks Relating to the Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indentures) as required by the Indentures*''.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the 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 applicable Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent (in the case of Euro Notes) and the U.S. Paying Agent (in the case of Dollar Notes) the applicable Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying 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 applicable Trustee or an authenticating agent will authenticate and mail, at the Issuer's expense (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least \$200,000 and integral multiples of \$1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the applicable Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indentures will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control 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 applicable Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control 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 of a series validly tender and do not 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 of such series validly tendered and not 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 of such series 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.

The provisions of the Indentures 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 reorganization, 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 an 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 such Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. Future Indebtedness of the Issuer or the Restricted Subsidiaries 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—We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indentures) as required by the Indentures*''.

The definition of ''Change of Control'' includes a direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the property and assets of 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. 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. However, subject to the conditions specified in sub-clause (3) of ''*Certain Definitions—Change of Control''*, a Change of Control shall be deemed not to have occurred as a result of the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of the Issuer and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of the Issuer or the Target) that is required pursuant to Competition Laws in relation to the Acquisition or is taken to avoid or eliminate any impediment under Competition Laws in relation to the Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws).

The provisions of the Indentures 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 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 €750 million and 4.0% of Total Assets; *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by 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 applicable 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 the 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 under the Senior Credit Facility incurred on or prior to the Completion Date (in an aggregate amount not to exceed €6,000 million) and 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, the issuance of the Notes and Incurrence of Indebtedness under the Senior Credit Facility and the application of the proceeds thereof (including after the proceeds of the Notes are released from the Escrow Account), including, prior to the completion of the Refinancing Transactions, all outstanding indebtedness of the Numericable Group which will be refinanced pursuant to the Refinancing Transactions, (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 (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) of the Issuer or any Guarantor Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided, however*, with respect to each of clause (5)(i) and (5)(ii), that immediately following 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 so long as (i) such operating expenses and capital expenditures are denominated in euro or U.S. dollars and (ii) the term of any such Currency Agreement is not more than 360 days; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of 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) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (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 €250 million and 2.8% of Total Assets so long as such Indebtedness exists on the date of such purchase, design, construction, installation or improvement, or is Incurred within 180 days thereafter;

(9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by 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) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of 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), (6) and (10) of the third paragraph of the covenant described below under ''—*Certain Covenants—Limitation on Restricted Payments*'' to the extent the Issuer or a Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under ''—*Certain Covenants—Limitation on Restricted Payments*'' in reliance thereon;

(15) [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 €400 million and 4.0% of Total Assets.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that Indebtedness Incurred under clauses (1) of the second paragraph of the description of this covenant cannot be reclassified;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of 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, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated 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, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio to test compliance with any covenant in the applicable 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 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; 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) 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 Issue Date (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the immediately succeeding paragraph), (6), (10), (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 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 financial statements of the Issuer are available, taken as a single accounting period, less the product of 1.5 times the Consolidated Interest Expense for such period;

  (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by 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 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 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) Excluded Contributions and (z) Net Cash Proceeds received from the Rights Issue);

  (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 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 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 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 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),

provided that any amounts under clause 5(c)(i)-(vi) above shall be reset at zero upon the occurrence of a Change of Control (other than if such Change of Control results in the occurrence of a Change of Control Trigger Event).

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 or Designated Preference Shares or through an Excluded Contribution or the Rights Issue), 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 applicable 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:

(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 and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a ''change of control''), but only (i) if required, if the Issuer shall have first complied with the terms described under ''Change of Control'' and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by 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;

(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) €10 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Restricted Payments made under this clause (6) do not exceed €20 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by 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) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), and for so long as the Issuer is a Public Company the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent, in an amount not to exceed in any fiscal year (A) the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from a Public Offering (other than the Initial Public Offering) of common stock or common equity interests or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, in each case, after the Issue Date and (b) an amount equal to the greater of (i) 5% of the Market Capitalization and (ii) 5% of the IPO Market Capitalization, less (B) the amount of dividends or distributions paid pursuant to clause (15) of the second paragraph of this covenant; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.0 to 1.0; *provided*, *further*, that if such Public Offering was of Capital Stock of a Parent, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent;

(11) payments by 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, dividends or other distributions by the Issuer 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 S.A. for the payment of regularly scheduled interest as such amounts come due under the Altice S.A. Notes and the Altice S.A. Revolving Credit Facility, less the amount of dividends or distributions paid pursuant to clause (10) of the second paragraph of this covenant during the fiscal year in which such dividends or other distributions are made pursuant to this clause (15);

(16) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the 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 Default or 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 Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed €150 million; and

(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.

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, in the event that a Restricted Payment meets the criteria of more than one of the categories described in clauses (1) through (19) above, or is permitted pursuant to the first paragraph of this covenant, the Issuer will be entitled to classify such Restricted Payment (or portion thereof) on the date of its payment or later reclassify such Restricted Payment (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 applicable 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*.''

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 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 Indentures, the Notes, the Note Guarantees, the Revolving Credit Facility, the Senior Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Escrow 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 applicable Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the applicable 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 applicable 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) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(15) any encumbrance or restriction existing by reason of any Lien permitted under ''*—Limitation on Liens*''.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not and will not permit 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) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents.

After the receipt of Net Available Cash from an Asset Disposition, 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) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer or a Guarantor that is secured in whole or in part by a Lien on the Notes Collateral, which Lien ranks *pari passu* with the Liens securing the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer or such Guarantor 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 makes an offer to the holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); (iv) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (v) in the manner specified under sub-clause (3) of ''*Certain Definitions—Change of Control*'';

(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 applicable Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute ''Excess Proceeds''. On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €25 million, the Issuer will be required within ten (10) Business Days thereof to make an offer (an ''*Asset Disposition Offer*'') to all holders of Notes and, to the extent the Issuer elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the applicable Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, 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 applicable Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the ''*Asset Disposition Offer Period*''). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the ''*Asset Disposition Purchase Date*''), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the ''*Asset Disposition Offer Amount*'') or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, in the case of Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes. The Issuer will deliver to the applicable 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 such 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, in the case of Dollar Notes, and €100,000, in the case of Euro Notes. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of 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 €150 million and 1.5% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the applicable 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 applicable 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 €5 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; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €25 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; *provided* that an Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under ''*—Limitation on Restricted Payments*'', any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under ''*—Limitation on Restricted Payments*'') or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (17) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of 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 Post-Closing 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 applicable 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 1.0% of Consolidated EBITDA (as reported by the Issuer in the financial statements delivered pursuant to clause (1) of the covenant under "*Reports*" for the most recent fiscal year ended prior to the date of determination) per year; (b) customary payments by 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, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith; and (c) payments of all fees and expenses related to the Transactions;

(12) any transaction effected as part of a Qualified Receivables Financing;

(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.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of each series of Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the applicable series of Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange.

Reports

For so long as any Notes of a series are outstanding, the Issuer will provide to the applicable 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, 2014, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to this Offering Memorandum, 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 since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* consolidated basis or (ii) recapitalizations by the Issuer or a Restricted Subsidiary, in each case, that have occurred since the beginning of the most recently completed fiscal year (unless such *pro forma* information has been provided in a prior report pursuant to clause (2) or (3) below); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of 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, 2014 (*provided* that, if the Completion Date occurs in any such fiscal quarter, the foregoing reference to 60 days shall be deemed to be 90 days for such fiscal quarter), 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 since the beginning of the relevant quarter, represent greater than 20% of the consolidated revenues, 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, 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).

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for 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 applicable 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 (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 of the Luxembourg Stock Exchange so require, at the Issuer's registered office in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer

The Issuer will not 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, 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 applicable Trustee, all the obligations of the Issuer under the Notes and the applicable Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of applicable four-quarter period, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to 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 Trustees 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 applicable 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 applicable Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Subject to the third paragraph of the covenant ''*Merger and Consolidation—The Guarantors*'', 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 applicable 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 such Indenture or the Notes of such series.

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 applicable 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 such Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the applicable 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 such Indenture and the proceeds therefrom are applied as required by such 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.

The provisions under this covenant ''*Merger and Consolidation—The Issuer*'' and ''*Merger and Consolidation—The Guarantors*'' shall not apply to (1) any Post-Closing Transactions or (2) any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of the Issuer and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of the Issuer or the Target) that is required pursuant to Competition Laws in relation to the Acquisition or is taken to avoid or eliminate any impediment under Competition Laws in relation to the Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws); *provided* that, solely to the extent the Issuer is relying on the foregoing exception, in the event the fair market value of any such sold, leased, transferred, conveyed or disposed of assets exceeds 2% of the Total Assets (on a pro forma consolidated basis, including the Target and its Subsidiaries that are Restricted Subsidiaries), (i) the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries (on a pro forma consolidated basis, including or the Target and its Subsidiaries that are Restricted Subsidiaries) shall not increase; and (ii) the Issuer shall promptly make an offer to all holders of the Term Loans and to the extent required by the terms of any Pari Passu Indebtedness that is not Public Debt, any such Pari Passu Indebtedness to repay or repurchase such Term Loans and Pari Passu Indebtedness at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of redemption in an amount equal to the Net Cash Proceeds of such sale, lease, transfer, conveyance or other disposition (on a *pro rata* basis on the basis of the aggregate principal amount of tendered Term Loans and Pari Passu Indebtedness) and in the event the principal amount of Term Loans and such Pari Passu Indebtedness tendered is less than the amount of such Net Cash Proceeds, the Issuer shall apply any such remaining proceeds to prepay an equal principal amount of Term Loans at par on a pro rata basis. 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*'', except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the applicable Trustee a supplemental indenture in the form attached to the applicable 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.

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 applicable Indenture as of the date Incurred if such Guarantor were not a Guarantor as at that date. The applicable 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 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 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 applicable 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 applicable 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 applicable Indenture summarized under the following captions will not apply to the applicable series of 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 such 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 such Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under ''*—Limitation on Indebtedness*'' or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under ''*—Limitation on Indebtedness*'', such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under ''*—Limitation on Indebtedness*''.

Impairment of Security Interests

The Issuer shall not 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 (a) any action reasonably required to implement or facilitate the Post-Closing Transactions and (b) 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 Trustees 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 Trustees 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 applicable 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 applicable 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; or (vi) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v) and (vi), the Issuer delivers to the applicable Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to such 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 such 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, such 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 applicable Indenture or the Notes of the applicable series 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 applicable Indenture, to exclude holders of Notes of the applicable series 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 or its member states or the State of Israel), which the Issuer in its sole discretion determine (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Additional Intercreditor Agreements

The Indentures will provide that, at the request of the Issuer, 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 definition of Permitted Collateral Liens, the Issuer or Restricted Subsidiary, the applicable 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 Notes Collateral (or terms not materially less favorable to the Holders); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on such Trustee or Security Agent or, in the opinion of such Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the such Trustee or Security Agent under the applicable Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Lien).

The Indentures also will provide that, at the direction of the Issuer and without the consent of Holders, the applicable Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the applicable Notes (including applicable Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure applicable Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof, (8) make any change reasonably necessary 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 applicable 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 such Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the applicable 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 such Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on such Trustee or Security Agent or, in the opinion of such Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under such Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indentures shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, at the request of the Issuer, the applicable 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 Indentures also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the applicable Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Completion of Transactions

The Issuer shall cause the Transactions to be consummated in a manner that in good faith determination of an Officer of the Issuer does not deviate from the description of the Transactions set out in ''*The Transactions*'' of this Offering Memorandum in a manner that is material and adverse to the interests of the Holders of Notes.

Post-Closing Guarantees and Security

Subject to the Agreed Security Principles, on the Completion Date:

(1) the Issuer will cause each Completion Date Guarantor to execute a supplemental indenture to each Indenture Guaranteeing the Notes on a senior basis; and

(2) the Issuer will, and will cause each applicable Completion Date Guarantor to, execute and deliver to the Security Agent the Security Documents to which it is intended to be a party on the Completion Date and grant Liens on a senior basis over the Completion Date Collateral described above under ''*Notes Security*''.

On the Completion Date, the Issuer will cause each applicable Completion Date Guarantor to, execute and deliver to the Security Agent the Security Documents to which it is intended to be a party and grant Liens on a senior basis over the Additional Numericable Group Collateral described above under ''*Notes Security*''.

Subject to the Agreed Security Principles, within 90 days after the Completion Date, the Issuer will cause:

(1) all of the Capital Stock of the Target owned directly or indirectly by the Issuer to be pledged to secure the Notes on a senior basis; and

(2) each Post-Completion Date Guarantor to execute a supplemental indenture to each Indenture Guaranteeing the Notes on a senior basis and each Completion Date Guarantor and Post-Completion Date Guarantor to execute and deliver to the Security Agent the Security Documents to which it is intended to be a party and grant Liens over the Target Group Collateral described above under ''*Notes Security*''.

Events of Default

Each of the following is an ''Event of Default'' under the Indentures:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the applicable 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 applicable 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 applicable Trustee or the Holders of at least 25% in principal amount of the outstanding Notes of such series 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 (i) a failure to purchase such Notes, which will constitute an Event of Default under clause (2) above, (ii) a failure to comply with the covenant described under ''*—Certain Covenants—Post-Closing Guarantees and Security*'', which shall be governed by clause (10) below and (iii) a failure to comply with the Escrow Agreement);

(4) failure by 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 applicable Trustee or the Holders of at least 25% in principal amount of the outstanding Notes of such series with its other agreements contained in the applicable 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, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (''*payment default*''); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the ''*cross-acceleration provision*''),

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer 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 applicable 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 such Indenture or the release of any such security interest in accordance with the terms of such Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*");

(9) any 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 applicable 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 such Indenture (the "*guarantee provisions*");

(10) failure by any Restricted Subsidiary or the Issuer to comply for 30 days with any of the provisions of the covenant described under—*Certain Covenants—Post-Closing Guarantees and Security*; and

(11) failure by the Issuer to consummate a Special Mandatory Redemption as described under the caption "—*Escrow of Proceeds*; *Special Mandatory Redemption*."

However, a default under clauses (3), (4), (5), (7) or (10) of this paragraph will not constitute an Event of Default until the applicable Trustee or the Holders of 25% in principal amount of the outstanding Notes under the applicable Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5), (7) and (10) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7) or (10), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) or (11) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the applicable Trustee or any Holders. If any other Event of Default occurs and is continuing, such Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes of such series may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes of such series, such Trustee shall, declare all such Notes to be due and payable immediately.

Holders of the Notes may not enforce the applicable Indenture or the Notes except as provided in such 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 applicable 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 applicable Indenture relating to the duties of the applicable Trustee, if an Event of Default occurs and is continuing, such Trustee will be under no obligation to exercise any of the rights or powers under such Indenture at the request or direction of any of the Holders unless such Holders have offered to such Trustee, and such Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to such 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 such Indenture or such Notes unless:

(1) such Holder has previously given such Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes of such series have requested such Trustee to pursue the remedy;

(3) such Holders have offered such Trustee, and such Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;

(4) such 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 of such series have not given such Trustee a direction that, in the opinion of such 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 such Trustee (on behalf of the Holders) or of exercising any trust or power conferred on such Trustee (on behalf of the Holders).

The Indentures will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the applicable Trustee is aware, such 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 applicable Indenture or that such Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve such Trustee in personal liability. Prior to taking any action under such Indenture, such 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 Indentures will provide that if a Default occurs and is continuing and a responsible officer of the applicable Trustee is informed of such occurrence by the Issuer, the applicable Trustee must give notice of the Default to the Holders of the applicable series 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 applicable Trustee may withhold notice if and so long as a committee of trust officers of such Trustee in good faith determines that withholding notice is in the interests of the Holders of such series. The Issuer is required to deliver to the Trustees, 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 Trustees, 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 applicable Trustee to take action on behalf of the Holders in certain circumstances, but only if such Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for such Trustee to take certain actions in relation to the applicable Notes and, accordingly, in such circumstances such 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 of a series of Notes may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of such series of Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such 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 such Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided, however* that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes of such series only the consent of the holders of at least a majority in principal amount of the then outstanding Dollar Notes or Euro Notes of such series (and not the consent of at least a majority of all Notes of such series then outstanding), as the case may be, shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes of such series affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided*, *however* that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes of such series only the consent of the holders of at least 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes of such series, as the case may be (and not the consent of at least 90% of the aggregate principal amount of all Notes of such series then outstanding), an amendment or waiver may not, with respect to any Notes of such series held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such 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 such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such 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 such Note payable in money other than that stated in such Note (except to the extent the currency stated in such 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 of such series 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 of such series (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 applicable 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 such 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 of a series then outstanding (*provided, however,* that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes of such series only the consent of the holders of at least 75% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes of such series, as the case may be (and not the consent of at least 75% of the aggregate principal amount of all Notes of such series then outstanding) will be required), no amendment or supplement may: (1) release any Guarantor from any of its obligations under its Note Guarantee or the applicable Indenture, except in accordance with the terms of such 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 such Indenture.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the applicable Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents of a series 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 such 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 applicable Trustee or the applicable Holders or does not adversely affect the rights or benefits to such Trustee or any of such Holders in any material respect under such 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 applicable Indenture;

(6) to provide for a Restricted Subsidiary to provide a Note Guarantee in accordance with the applicable Indenture, to add Guarantees with respect to the Notes of such series, to add security to or for the benefit of such 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 such Notes when such release, termination, discharge or retaking or amendment is provided for under such Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the applicable Indenture, the Note Guarantees, the Security Documents or such 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 such Indenture, a Note Guarantee, the Security Documents or such Notes;

(8) to evidence and provide for the acceptance and appointment under the applicable 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 applicable Trustee or Security Agent to any Notes Document; or

(9) as provided in ''*—Certain Covenants—Additional Intercreditor Agreements*''.

In formulating its decision on such matters, each Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the applicable 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 such Indenture by any Holder of applicable 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 of a series that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the Issue Date.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

For so long as the Notes of a series are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes of a series have concurred in any direction, waiver or consent, the Notes of such series 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 of a series and the applicable 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 applicable 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 such Trustee and the Holders of such Notes under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under ''*—Certain Covenants*'' and ''*Change of Control*'' and the default provisions relating to such covenants described under ''*Events of Default*'' above, the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to the Issuer 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 of a series 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 of a series, payment of such Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to the first paragraph and clauses (1) and (2) of the first paragraph of the covenant described under ''*—Certain Covenants—Merger and Consolidation*''), (4), (5), (6) (with respect only to the Issuer and Significant Subsidiaries), (7), (8) or (9) under ''*Events of Default*'' above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the ''*defeasance trust*'') with the applicable 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 the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) for the payment of principal, premium, if any, and interest on the applicable Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the applicable Trustee of:

(1) an Opinion of Counsel (subject to customary exceptions and exclusions) from United States counsel to the effect that Holders of the Notes of such series 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 applicable Indenture, and the rights of the applicable Trustee and the Holders of Notes of the applicable series 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 such Notes, as expressly provided for in such Indenture) as to all outstanding Notes of such series when (1) either (a) all the Notes of such series 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 of such series 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 such Trustee for the giving of notice of redemption by such Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with such 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 the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes), in an amount sufficient to pay and discharge the entire Indebtedness on the Notes of such series not previously delivered to such 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 such Indenture; and (4) the Issuer has delivered to such Trustee an Officer's Certificate to the effect that all conditions precedent under the ''Satisfaction and Discharge'' section of such Indenture relating to the satisfaction and discharge of such 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, any Holder of the Notes of a series or holder of a beneficial interest in the Notes of such series, following the Issue Date, may obtain a copy of the applicable Indenture, the form of such Notes, the Security Documents, the Escrow Agreement and the Intercreditor Agreement without charge by writing to the Issuer, Tour Ariane, 5 Place de la Pyramide, 92088 La Defénse Cedex, Attention: Chief Financial Officer.

Concerning the Trustees and Certain Agents

Deutsche Bank AG, London Branch is to be appointed as (i) 2019 Notes Trustee under the 2019 Indenture, (ii) 2022 Notes Trustee under the 2022 Indenture and (iii) 2024 Notes Trustee under the 2024

Indenture. The Indentures will provide that, except during the continuance of an Event of Default, the applicable Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default of which the applicable Trustee has been notified in accordance with the provisions of the applicable Indenture, such Trustee will exercise such of the rights and powers vested in it under such Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the applicable Trustee to take or refrain from taking any action enumerated in the applicable Indenture will not be construed as an obligation or duty.

The Issuer shall deliver written notice to the Trustees within thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. Each Indenture will impose certain limitations on the rights of the applicable 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 Trustees 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 applicable Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indentures will contain provisions for the indemnification and/or security of the applicable 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 applicable Indenture.

Notices

All notices to Holders of the Notes of a series will be validly given if mailed to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes of a series 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, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes of a series 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 of a series will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Dollar Notes and Note Guarantees thereof is U.S. dollars and the Euro Notes and Note Guarantees thereof is euro, including damages. Any amount received or recovered in a currency other than U.S. dollars or euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the applicable Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the U.S. dollar or euro amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar or euro amount is less than the U.S. dollar or euro amount expressed to be due to the recipient or such Trustee under any such Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or such Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or such 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 such 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 such 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 such Note, any Note Guarantee or to such Trustee.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the other Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indentures, the Notes and the Note Guarantees, the Issuer and each Guarantor will, in the Indentures, appoint CT Corporation System as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indentures, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The application of the provisions set out in Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded. The Intercreditor Agreement and the rights and duties of the parties thereunder is governed by and construed in accordance with the laws of England 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 Indentures. Reference is made to the applicable 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.

''*2019 Notes Applicable Premium*'' means:

(A) with respect to any 2019 Dollar Note the greater of:

(i) 1% of the principal amount of such Dollar Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Dollar Note at , 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including , 2016 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Dollar Note,

(B) with respect to any 2019 Euro Note the greater of:

(i) 1% of the principal amount of such Euro Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Euro Note at , 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including , 2016 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Euro Note,

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the 2019 Notes Applicable Premium shall not be an obligation or duty of the 2019 Notes Trustee or Paying Agents.

''*2022 Notes Applicable Premium*'' means:

(A) with respect to any 2022 Dollar Note the greater of:

(i) 1% of the principal amount of such Dollar Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Dollar Note at , 2017 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including , 2017 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Dollar Note,

(B) with respect to any 2022 Euro Note the greater of:

(i) 1% of the principal amount of such Euro Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Euro Note at , 2017 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including , 2017 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Euro Note,

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the 2022 Notes Applicable Premium shall not be an obligation or duty of the 2022 Notes Trustee or Paying Agents.

''*2024 Notes Applicable Premium*'' means:

(A) with respect to any 2024 Dollar Note the greater of:

(i) 1% of the principal amount of such Dollar Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Dollar Note at , 2019 (such redemption price (expressed in percentage of principal

amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including , 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Dollar Note,

(B) with respect to any 2024 Euro Note the greater of:

(i) 1% of the principal amount of such Euro Note; and

(ii) the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Euro Note at , 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including , 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Euro Note,

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the 2024 Notes Applicable Premium shall not be an obligation or duty of the 2024 Notes Trustee or Paying Agents.

''*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. 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 each Indenture.

''*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 S.A.*'' refers to Altice S.A. a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg.

''*Altice S.A. Notes*'' refers to $ million aggregate principal amount of senior notes denominated in U.S. dollars and € million of senior notes denominated in euros of Altice S.A. to be issued on or around the Issue Date.

''*Altice S.A. Revolving Credit Facility*'' refers to the revolving facility agreement, dated on or around the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among Altice 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).

''*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 applicable 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 or Temporary Cash Investments;

(3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business of 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 €150 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under ''*—Certain Covenants—Limitation on Restricted Payments*'', any transaction specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption ''—*Certain Covenants—Limitation on Liens*'';

(10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales, transfers or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than 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); *provided further,* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of 1.0% of Total Assets and €100 million;

(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 applicable 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*''; and

(20) any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of the Issuer and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of the Issuer or the Target) that is required pursuant to Competition Laws in relation to the Acquisition or is taken to avoid or eliminate any impediment under Competition Laws in relation to the Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws) so long as the fair market value of any such sold, leased, transferred, conveyed or disposed of assets does not exceed 2% of Total Assets (on a pro forma consolidated basis, including the Target and its Subsidiaries that are Restricted Subsidiaries).

''*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 an 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).

''*Bund Rate*'' means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the applicable Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(1) ''Comparable German Bund Issue'' means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to (i) , 2016 with respect to the 2019 Euro Notes, (ii) , 2017 with respect to the 2022 Euro Notes and (iii) , 2019 with respect to the 2024 Euro Notes, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the applicable Euro Notes and of a maturity most nearly equal to (i) , 2016 with respect to the 2019 Euro Notes, (ii) , 2017 with respect to the 2022 Euro Notes and (iii) , 2019 with respect to the 2024 Euro Notes; *provided, however*, that, if the period from such redemption dated to (i) , 2016 with respect to the 2019 Euro Notes, (ii) , 2017 with respect to the 2022 Euro Notes and (iii) , 2019 with respect to the 2024 Euro Notes is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to (i) , 2016 with respect to the 2019 Euro Notes, (ii) , 2017 with respect to the 2022 Euro Notes and (iii) , 2019 with respect to the 2024 Euro Notes, is less than one year, a fixed maturity of one year shall be used;

(2) ''Comparable German Bund Price'' means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) ''Reference German Bund Dealer'' means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) ''Reference German Bund Dealer Quotations'' means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

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

‘‘*Capital Stock*’’ of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

‘‘*Capitalized Lease Obligations*’’ means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

‘‘*Cash Equivalents*’’ means:

(1) securities issued or directly and fully Guaranteed or insured by the United States Government, the United Kingdom, Switzerland or any member state of the European Union (other than Greece or Portugal), in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by a bank or trust company (a) whose commercial paper is rated at least ‘‘A-1 ‘‘or the equivalent thereof by S&P or at least ‘‘P-1’’ or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that such bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least ‘‘A-2’’ or the equivalent thereof by S&P or ‘‘P-2’’ or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any member of the European Union (other than Greece or Portugal) or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) bills of exchange issued in the United States, a member state of the European Union (other than Greece or Portugal), eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(7) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (6) above.

‘‘*Change of Control*’’ means:

(1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any ‘‘person’’ (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer, 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 and its Restricted Subsidiaries, taken as a whole, to a Person (including any ''person'' as defined above), other than a Permitted Holder; *provided* that a Change of Control shall be deemed not to have occurred as a result of the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets of the Issuer and its Subsidiaries or the Target and its Subsidiaries (including the Capital Stock of the Target or any Subsidiary of the Issuer or the Target) that is required pursuant to Competition Laws in relation to the Acquisition or is taken to avoid or eliminate any impediment under Competition Laws in relation to the Acquisition (including, without limitation, in response to any actions initiated by an administrative, regulatory or other governmental authority or private party under Competition Laws); *provided further* that, solely to the extent the Issuer is relying on this provision as an exemption from the requirement to make a Change of Control Offer, in the event the fair market value of any such sold, leased, transferred, conveyed or disposed of assets exceeds 2% of the Total Assets of the Issuer and its Restricted Subsidiaries (on a *pro forma* consolidated basis, including the Target and its Subsidiaries that are Restricted Subsidiaries), (i) the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries (on a *pro forma* consolidated basis, including the Target and its Subsidiaries that are Restricted Subsidiaries) shall not increase; and (ii) the Issuer shall promptly make an offer to all holders of the Term Loans and to the extent required by the terms of any Pari Passu Indebtedness that is not Public Debt, any such Pari Passu Indebtedness to repay or repurchase such Term Loans and Pari Passu Indebtedness at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of redemption in an amount equal to the Net Cash Proceeds of such sale, lease, transfer, conveyance or other disposition (on a *pro rata* basis on the basis of the aggregate principal amount of tendered Term Loans and Pari Passu Indebtedness) and in the event the principal amount of Term Loans tendered is less than the amount of such Net Cash Proceeds, the Issuer shall apply any such remaining proceeds to prepay an equal principal amount of Term Loans at par on a *pro rata* basis.

''*Change of Control Triggering Event*'' means the occurrence of both a Change of Control and, for so long as the Seller owns, directly or indirectly, 20% or more of the outstanding common shares of the Issuer, 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 expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals

comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the applicable Indenture (whether or not successful) (including any such fees, expenses or charges related to the Initial Public Offering and the Transactions), in each case, as determined in good faith by the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consultancy and advisory fees and related expenses paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under ''*Certain Covenants—Limitation on Affiliate Transactions*''; *provided* that any payments for such fees and related expense shall not be included in Consolidated EBITDA for any period to the extent they were accrued for in such period or any prior period and added back to Consolidated EBITDA in such period or any such prior period; and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other non-cash items classified by 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 and (iv) net payments and receipts (if any) pursuant to Currency Agreements (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations).

''*Consolidated 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) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that 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 Indentures, the Senior Credit Facility, 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);

(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 Initial Public Offering or the Transactions;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;

(9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized

foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of 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 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) the aggregate amount of Pro forma EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements of the Issuer are available multiplied by 2.0; *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) the aggregate amount of Pro forma EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements of the Issuer are available multiplied by 2.0; *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, 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 an Affiliate of the Issuer or a Restricted Subsidiary; and

(5) any such sale that constitutes an Excluded Contribution.

''*Escrow Agent*'' means Deutsche Bank AG, London Branch.

''*Escrow Agreements*'' means the escrow agreements relating to the Notes dated as of the Issue Date among, *inter alios*, the Issuer, the relevant Trustee and the relevant Escrow Agent.

''*Escrow Assignments*'' means the grant of a security interest in the relevant Escrow Account on the Issue Date by the Issuer to the Security Agent on behalf of the Holders of the relevant series of Notes.

''*Escrowed Proceeds*'' means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term ''Escrowed Proceeds'' shall include any interest earned on the amounts held in escrow.

''*euro*'' or ''€'' means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

''*Euro Equivalent*'' means, with respect to any monetary amount in a currency other than euro (''*Other Currency*''), at any time of determination thereof by the Issuer or the applicable 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 applicable Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; provided that such member state has a long-term government debt rating of ''A1'' or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

''*Exchange Act*'' means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

''*Excluded Contribution*'' means Net Cash Proceeds or property or assets received by 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 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.

''*fair market value*'' wherever such term is used in this ''Description of Notes'' or the Indentures (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this ''Description of Notes'' or the applicable 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 applicable Indenture in its capacity as a guarantor of the Notes of a series and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the applicable Indenture (including the Completion Date Guarantors as of the Completion Date and the Post-Completion Date Guarantors as of the Post-Completion Guarantee Date).

''*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.

''*Incur*'' means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by 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 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.

''*Indebtedness*'' means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of assets acquired or services supplied (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations (excluding network and duct leases in existence on the Issue Date) of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

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) obligations under or in respect of Qualified Receivables Financing, (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the Incurrence by 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) 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.

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 applicable Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) in connection with the purchase by 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; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(ii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness.

''*Independent Financial Advisor*'' means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

''*Initial Public Offering*'' means 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 on or around the Issue Date 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, 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 final paragraph of the covenant described above under the caption ''—*Certain Covenants—Limitation on Restricted Payments*''.

For purposes of ''—*Certain Covenants—Limitation on Restricted Payments*'':

(1) ''Investment'' will include the portion (proportionate to 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 Status*'' shall occur when the applicable Notes receive both of the following:

(1) a rating of ''BBB−'' or higher from S&P; and

(2) a rating of ''Baa3'' or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

''*Investor*'' means the ultimate controlling shareholder of Altice S.A. 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.

''*IPO Market Capitalization*'' means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests were sold in such Initial Public Offering.

''*Issue Date*'' means , 2014.

''*Issuer*'' means Numericable Group S.A., a French public limited liability company (société anonyme) with registered office at Tour Ariane, 5 Place de la Pyramide, 92088 La Defénse Cedex and registered under sole identification number 794 661 470 RCS Nanterre RCS Nanterre.

''*Lien*'' means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

''*Management Advances*'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, 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 not to exceed an amount (net of repayments of any such loans or advances) equal to €10 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 €20 million in any fiscal year);

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €7.5 million in the aggregate outstanding at any time.

''*Management Investors*'' means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries (including, without limitation, the Target), 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.

''*Market Capitalization*'' means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

''*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 means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

''*Numericable Group*'' means the Issuer and its Subsidiaries as of the Issue Date (immediately prior to the consummation of the Target Acquisition).

''*Note Guarantee*'' means the Guarantee by each Guarantor of the Issuer's obligations under the applicable Indenture and the Notes, executed pursuant to the provisions of such Indenture.

''*Notes Documents*'' means, in respect of a series of Notes, the Notes (including Additional Notes), the Indentures, the Security Documents, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreements, in each case in respect of such Series of Notes.

''*Offering Memorandum*'' means this Offering Memorandum in relation to the Notes to be issued on the Issue Date.

''*Officer*'' means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an ''Officer'' for the purposes of the applicable 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 applicable 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.

''*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 Indentures or any other agreement or instrument relating to Indebtedness of a 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 or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions;

(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 €5 million in any fiscal year;

(9) any Public Offering Expenses; and

(10) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business.

''*Pari Passu Indebtedness*'' means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee of the Notes.

''*Paying Agent*'' means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

''*Payment Block Event*'' means: (1) any Event of Default described in clause (1) or (2) under ''*—Events of Default*'' has occurred and is continuing; (2) any Event of Default described in clause (6) or (11) under ''*—Events of Default*'' has occurred and is continuing; and (3) any other Event of Default has occurred and is continuing and the applicable Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes of a series have declared all the Notes of such series 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 applicable 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) of the definition of ''Permitted Liens''; and

(2) Liens on the Notes Collateral (other than any Notes Collateral subject to the Escrow Assignment) to secure (a) Indebtedness that is permitted to be Incurred under 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)(ii) (but only if 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, the Consolidated Net Senior Secured Leverage Ratio is no greater than 3.25 to 1.0), (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.

''*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 applicable 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 or Temporary Cash Investments;

(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;

(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 and the Term Loans;

(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 €300 million and 3.0% of Total Assets; *provided*, that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause; and

(18) Investments 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 €300 million and 3.0% of Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

"*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 applicable 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 applicable 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 and the Issuance of the Notes and the application of the proceeds thereof (including after such proceeds are released from the Escrow Accounts);

(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 applicable 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; and

(30) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of €100 million and 1.0% of Total Assets.

''*Perpetual Subordinated Notes*'' means the €23.65 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.

''*Post-Closing Transactions*'' means any of the following: (1) the winding-up of Ypso Holding S.à r.l. and (2) the release of any Notes Collateral or Guarantee granted by Ypso Holding S.à r.l.and (3) if required as result of the winding-up of Ypso Holding S.à r.l., the release followed by an immediate retaking of the share pledge over the Capital Stock of Ypso France S.à r.l.

''*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 the Consolidated Net Leverage Ratio or Consolidated Net Senior Secured Leverage Ratio is such a Sale, Pro forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes ''discontinued operations'' in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a Parent, 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 (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 Company*'' means that at least 5% of the shares of common stock or other common equity interests of the Issuer are listed on the Euronext Paris market of the NYSE Euronext.

''*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 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 of a series 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 of such series 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 of such series 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 of a series 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 of such series 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 other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) 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;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding 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; 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.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the applicable Trustee by filing with such 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 applicable 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 applicable Indenture or Incurred in compliance with such Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; and

(4) 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 Transactions*'' means the refinancing of all of the outstanding Indebtedness of the Numericable Group as described in this Offering Memorandum under ''The Transactions''.

''*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.

''*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 on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios,* Numericable 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.

''*S&P*'' means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

''*SEC*'' means the U.S. Securities and Exchange Commission.

''*Securities Act*'' means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

''*Security Agent*'' means 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 Indentures 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 Indentures.

''*Seller*'' means Vivendi S.A.

''*Senior Credit Facility*'' means the Term Loan Credit Agreement, dated on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, 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 Secured Indebtedness*'' means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under ''*Certain Covenants—Limitation on Indebtedness*'' or clauses (1), (4)(a), (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, in each case secured by a Lien on the Notes Collateral on a basis *pari passu* with or senior to the security in favor of the Notes.

''*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, the Target or any of their Subsidiaries on the Issue Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by the Issuer, the Target or any of their Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

''*Standard Securitization Undertakings*'' means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

''*Stated Maturity*'' means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

''*Subordinated Indebtedness*'' means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Note Guarantee of such Guarantor.

''*Subordinated Shareholder Funding*'' means, collectively, any funds provided to 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 of the applicable series (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 of the applicable series 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 of the applicable series, 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 of the applicable series 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 of the applicable series 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 of the applicable series, 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.

''*Target*'' means Société Française du Radiotéléphone S.A., a corporation incorporated and existing under the laws of France with registered office at 42 Avenue de Friedland, 75008, Paris and registered under sole identification number 343 059 564 RCS Paris.

''*Target Acquisition*'' means the acquisition by the Issuer (or one of its Restricted Subsidiaries) of all the Capital Stock of Target (other than 10 shares held by an individual shareholder) as described under ''*The Transactions—The Acquisition*'' elsewhere in this Offering Memorandum.

''*Target Acquisition Documents*'' means collectively, (i) the share purchase agreement relating to the acquisition of the shares of the Target (less ten shares owned by a minority shareholder) and of SIG 50 and (ii) the contribution agreement relating to the contribution by the Seller to the Issuer of a portion of the Target's shares, each in the form delivered with, and to be entered pursuant and subject to the terms of, the offer submitted by the Issuer to the Seller on April 5, 2014 in connection with the Target Acquisition.

''*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 applicable 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) any European Union member state (other than Greece or Portugal), (iii) Switzerland, (iv) 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 (v) any agency or instrumentality of any such country or member state, or

(b) direct obligations of any country recognized by the United States of America rated at least ''A'' by S&P or ''A-1 ''by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of € 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least ''A'' by S&P or ''A-2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than 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, any European Union member state (other than Greece or Portugal) or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least ''BBB−'' by S&P or ''Baa3'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America or a member state of the European Union (other than Greece or Portugal) eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least ''A'' by S&P or ''A-2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

''*Term Loans*'' means the term loans extended to the Issuer pursuant to the Senior Credit Facility.

''*Total Assets*'' means the consolidated total assets of the Issuer and the Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Issuer prepared on the basis of IFRS prior to the relevant date of determination calculated to give *pro forma* effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Indebtedness giving rise to the need to calculate Total Assets.

''*Transactions*'' means the issuance of the Notes, the Rights Issue, the entry into, and drawing of loans under, the Senior Credit Facility, the Target Acquisition and the Refinancing Transactions and any other transactions or action in connection therewith.

''*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 (i) , 2016 in case of the 2019 Dollar Notes, (ii) , 2017 in case of the 2022 Dollar Notes and (iii) 2019, in case of the 2024 Dollar Notes; *provided* that if the period from such redemption date to (i) , 2016 in case of the 2019 Dollar Notes, (ii) , 2017 in case of the 2022 Dollar Notes and (iii) , 2019, in case of the 2024 Dollar Notes 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 applicable Trustee by filing with such 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 applicable Trustee by promptly filing with such Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

''*Voting Stock*'' of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

''*Wholly Owned Subsidiary*'' means a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than such Person or another Wholly Owned Subsidiary of such Person) is owned by such Person or another Wholly Owned Subsidiary of such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of the Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the ''Regulation S Global Notes''). The Regulation S Global Notes representing the Dollar Senior Secured Notes (the ''Dollar Regulation S Global Notes'') will be deposited upon issuance with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro Senior Secured Notes (the ''Euro Regulation S Global Notes'') will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Each series of 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''). The 144A Global Notes representing the Dollar Senior Secured Notes (the ''Dollar 144A Global Notes'') will be deposited upon issuance with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Senior Secured Notes (the ''Euro 144A Global Notes'') will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to herein as the ''Dollar Global Notes''. The Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to herein as the ''Euro Global Notes''.

Ownership of interests in the 144A Global Notes (the ''Rule 144A Book-Entry Interests'') and ownership of interests in the Regulation S Global Notes (the ''Regulation S Book-Entry Interests'' and, together with the Rule 144A Book Entry Interests, the ''Book-Entry Interests'') will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by DTC, Euroclear and Clearstream and their participants. The Book Entry Interests in the Euro Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Book Entry Interests in the Dollar Global Notes will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream, as applicable, will credit on their respective book entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book Entry Interests. In addition, while the 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 their respective Indenture for any purpose.

So long as the Notes are held in global form, the common depositary for DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under each Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and the participants through which they own Book Entry Interests in order to exercise any rights of holders under their respective Indenture.

Neither we, the Registrars, the Paying Agents, the transfer agents, Deutsche Bank Trust Company Americas, as custodian for DTC nor the Trustee under each Indenture nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book Entry Interests.

For the purpose of Luxembourg law, ownership of the Notes will be evidenced through registration from time to time in the noteholders' register kept at the registered offices of the Issuer, and such registration is a means of evidencing title to the Notes.

Definitive Registered Notes

Under the terms of each Indenture, owners of the Book-Entry Interests will receive definitive registered notes:

(1) if DTC (with respect to the Dollar Global Notes), or Euroclear or Clearstream (with respect to the Euro Global Notes) notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream following an Event of Default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

DTC, Euroclear and Clearstream have advised us that upon request of an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

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, Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in their respective Indenture, unless that legend is not required by such Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agents, the transfer agents and the Registrars 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 Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

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, Euroclear and/or Clearstream, as applicable.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided, however*, that no Book Entry Interest of less than €100,000, in the case of the Euro Global Notes, or $200,000, in the case of the Dollar Global Notes, principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agents, which will in turn make such payments to Euroclear and Clearstream in the case of Euro Global Notes and DTC or its nominee in case of Dollar Global Notes which will then distribute such payments to participants in accordance with their respective customary procedures. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of each Indenture, the Issuer, the Trustee and the Paying Agent will treat the registered holders of the Global Notes (i.e., the nominee of the common depositary for Euroclear or Clearstream and 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 or the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant or for maintaining, supervising or reviewing the records of DTC, Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- DTC, Euroclear, Clearstream or any participant 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 Euro Global Notes will be paid to holders of interests in such Notes (each a ''Euroclear/Clearstream Holder'' and together the ''Euroclear/Clearstream Holders'') through Euroclear or Clearstream in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interests in such Notes (each a ''DTC Holder'' and together the ''DTC Holders'') through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such Euroclear/Clearstream Holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such holder's election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such DTC Holder.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of 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 Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under their respective Indenture, DTC, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in DTC, Euroclear and Clearstream will be done in accordance with DTC, Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the 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, Euroclear and Clearstream 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 denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a ''qualified institutional buyer'' within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''Transfer Restrictions'' and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40 day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in their respective Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available).

Subject to the foregoing, and as set forth in ''*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 their respective Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See ''*Notice to Investors*''.

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book Entry Interest for 144A Book Entry Interest in a Dollar Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book Entry Interest in any other Global Note will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Note and become a Book Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of us, the Trustee, the Paying Agents, the Registrars or the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law,

- a ‘‘banking organization’’ within the meaning of New York Banking Law,
- a member of the Federal Reserve System,
- a ‘‘clearing corporation’’ within the meaning of the New York Uniform Commercial Code, and
- a ‘‘clearing agency’’ registered pursuant to the provision of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the ‘‘U.S. Exchange Act’’).

DTC holds and provides asset servicing for issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC’s direct participants deposit with DTC). DTC also facilitates the post trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic book entry transfers and pledges between direct participants’ accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (‘‘DTCC’’). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The 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 Registrars nor the Paying Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro and U.S. dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value of 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 Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

NOTICE TO INVESTORS

The Notes have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Notes are being offered, sold and issued to (i) qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) non U.S. persons as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

(1) You are not an ''affiliate'' (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, 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 under the U.S. Securities Act; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the 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 us, the Initial Purchasers or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than by us with respect to the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the 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, us 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 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] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT 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 IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATIONS 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 THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTES OR ANY INTEREST THERE IN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, A NON EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A

PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHER THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

(c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ''ORIGINAL ISSUE DISCOUNT'' (''OID'') WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''CODE''), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE ISSUER, C/O NUMERICABLE GROUP S.A., TOUR ARIANE, 5 PLACE DE LA PYRAMIDE, 92088 LA DÉFENSE CEDEX, 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 the 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 the 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 European Economic Area Investors'', ''Notice to Investors in France'', ''Notice to U.K. Investors,'' ''Notice to Luxembourg Investors'' and/or under ''Plan of Distribution'' or ''Certain Employee Benefit Plan Considerations''.

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 Issuers by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuers also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan's acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption (''PTE'') 84 14, regarding transactions effected by a ''qualified professional asset manager''; PTE 90 1, regarding investments by insurance company pooled separate accounts; PTE 91 38, regarding investments by bank collective investment funds; PTE 95 60, regarding investments by insurance company general accounts and PTE 96 23, regarding investments by certain ''in house asset managers;''. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than ''adequate consideration'' (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NEW NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH 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, 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 NOTES ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHER THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NEW NOTE.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NEW NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID AB INITIO.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993). An insurance company considering the purchase of 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 New Note or any interest therein to a Plan or a governmental, church or non U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in this offering memorandum, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the 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

Under Luxembourg general tax laws currently in force and subject to the laws of June 21, 2005 (the ''June Laws'') implementing (i) 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'') and (ii) related agreements concluded between Luxembourg and certain dependent and associated territories of the European Union (i.e. Aruba, British Virgin Islands, Curaçao, Guernsey, Isle of Man, Jersey, Montserrat and Former Netherlands Antilles—collectively the ''Associated Territories''), there is no withholding tax on payments of principal, premium or interest made under the Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by nonresident Noteholders.

Under the EU Savings Directive and the June Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required, since July 1, 2005, to withhold tax on interest and other similar income (within the meaning of the June Laws) paid by it to (or, under certain circumstances, for the benefit of) an individual resident in another EU Member State or a residual entity (''Residual Entity'') in the sense of Article 4.2 of the EU Savings Directive (i.e., an entity without legal personality and whose profits are not taxed under the general arrangements for business taxation and that is not, or has not opted to be considered as, an undertaking for collective investment in transferrable securities or UCITS recognized in accordance with Council Directive 85/611/EEC), resident or established in another EU Member State (other than Luxembourg), unless the beneficiary of the payment of interest or similar income elects for an exchange of information or provides a specific tax certificate to the Luxembourg paying agent. The same regime applies to payments by a Luxembourg based paying agent to (or, under certain circumstances, for the benefit of) individuals or Residual Entities resident or established in any of the Associated Territories.

The withholding tax rate is 35%. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. The tax withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries. In this respect, please note that the Luxembourg government has announced that it will elect out of the withholding tax system in favor of the automatic exchange of information with effect as of January 1, 2015.

Investors should note that the EU Commission announced proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the EU

Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU-resident individual, and (ii) a wider range of income similar to interest (for more information, please see ''—*EU Savings Directive*'').

(ii) Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the ''December Law''), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holder of Notes, nor on accrued but unpaid interest in respect of the Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December Law, payments of interest or similar income made by a paying agent (within the meaning of the December Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident Investor may be subject to a final tax of 10%. Such tax will be in full discharge of income tax if the individual beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax will be assumed by the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the December Law) who is a resident of Luxembourg may opt in accordance with the December Law to self declare and pay a final tax of 10% when he/she receives such interest or similar income from a paying agent established in another EU Member State, in a member state of the EEA which is not an EU Member State or in a state which has concluded a treaty directly in connection with the EU Savings Directive. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% final levy must cover all payments of interest or similar income made by the paying agents to the Luxembourg resident beneficial owner or, under certain circumstances, to a Residual Entity established in another EU Member State, during the entire civil year. The individual resident who is the beneficial owner of interest is responsible for the declaration and the payment of the 10% final tax.

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 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

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted the EU Savings Directive effective from July 1, 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest within the meaning of the EU Savings Directive or other similar income paid by a paying agent within the meaning of the EU Savings Directive, to or collected by such paying agent for an individual resident or certain types of entities called ''residual entities'', defined in the Article 4.2 of the EU Savings Directive (the ''Residual Entities''), established in that other Member State (or Associated Territories). For a transitional period, however, Luxembourg is permitted to apply a withholding tax system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not opt for exchange of information or does not provide a specific tax certificate reporting, Luxembourg will levy a withholding tax on payments to such beneficial owner of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Please see the European

Union Directive on Taxation of Savings Income in the Form of Interest Payments (Council Directive 2003/48/EC).

The Luxembourg government has announced that it will elect out of the withholding tax system in favor of the automatic exchange of information with effect as of January 1, 2015.

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and Associated Territories have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those Associated Territories in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

The European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the ''**Amending Directive**''). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of ''interest payment'' to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisors.

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 Preliminary 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 EU 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 agents 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 (i) as of the date of their admission to trading, the Notes will be admitted to trading on the Official List of the Luxembourg Stock Exchange in Luxembourg which does not qualify as a Non-Cooperative State and that such market will be operated by a market operator which is not located in a Non-Cooperative State, and (ii) the Notes will be admitted 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 at least 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

Pursuant to Internal Revenue Service ("IRS") Circular 230, you are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on any taxpayer under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Such description was written in connection with the marketing by the Issuer of the Notes. Taxpayers should seek advice based on the taxpayers' particular circumstances from an independent tax advisor.

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Notes by a U.S. Holder thereof as defined below. This description only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the 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 Dollar Senior Secured Notes or the Euro Senior Secured Notes, as applicable, 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 consequences described herein. No opinion of counsel to the Issuer or the holders or ruling from the IRS has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the 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 and the adjusted issue price of the Notes and/or redeem the Notes in advance of their stated maturity. The Issuer intends to take the position that the Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments. This position is based in part on assumptions, as of the date of issuance of the 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 Disposition by a U.S. Holder*'' and any payments of Additional Amounts in an amount in excess of stated interest and the adjusted issue price would be taxable as additional ordinary income when received or accrued, in accordance with such holder's method of accounting for U.S. federal income tax purposes. 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 on the Notes (including Additional Amounts and any non-U.S. taxes withheld on payments of such stated interest or Additional Amounts) generally will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Interest (including original issue discount (''OID''), if any, as described below) included in a U.S. Holder's gross income with respect to the 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''. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

With respect to the Euro Senior Secured Notes, stated interest paid in euros will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Original Issue Discount

Some or all of 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 principal amount exceeds its issue price by at least the ''OID de minimis amount''. The OID de minimis amount equals ¼ of 1% of the stated principal amount of the Note multiplied by the number of complete years from its issue date to maturity.

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 difference between (1) the product of the ''adjusted issue price'' of the Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any stated interest allocable to the accrual period. The ''adjusted issue price'' of a 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.

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 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 Group S.A., Tour Ariane, 5 Place de la Pyramide, 92088 La Défense Cedex, France, Attn: Chief Financial Officer.

Any OID on a Euro Senior Secured Note generally will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of such a Note), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules. The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Sale, Exchange, Retirement or Other Disposition by a U.S. Holder

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 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. If a U.S. Holder purchases a Euro Senior Secured Note with euros, the U.S. dollar cost of the Euro Senior Secured Note generally will be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Euro Senior Secured Note generally will be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Euro Senior Secured Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the Euro Senior Secured Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Euro Senior Secured Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement, or other disposition of a 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 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.

Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a Euro Senior Secured Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Euro Senior Secured Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the date of purchase of the Euro Senior Secured Note. If the Euro Senior Secured Note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Senior Secured Note calculated at the spot rate of exchange on the settlement date of the purchase of the Euro Senior Secured Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the Euro Senior Secured Notes.

Exchange of Amounts in Other than U.S. Dollars

If a U.S. Holder receives euros as interest on a Euro Senior Secured Note or on the sale, exchange, retirement or other disposition of a Euro Senior Secured Note, such U.S. Holder's tax basis in the euros will equal the U.S. dollar value when the interest is received or at the time of the sale, exchange, retirement or other disposition. If a U.S. Holder purchased a Euro Senior Secured Note with previously owned non-U.S. currency, gain or loss will be recognized in an amount equal to the difference, if any, between the U.S. Holder's tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss from sources within the United States provided that the residence of the U.S. Holder is considered to be the United States for purposes of the rules governing foreign currency transactions.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in ''reportable transactions'' (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Euro Senior Secured Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Euro Senior Secured Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the Euro Senior Secured Notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, 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

Legislation referred to as the Foreign Account Tax Compliance Act (''FATCA'') generally may impose withholding at a rate of 30% on payments made to any foreign entity (whether such foreign entity is a beneficial owner or an intermediary) on debt obligations generating U.S. source interest or certain other debt obligations generating non-U.S. source interest issued by a foreign financial institution that (i) enters into certain agreements with the IRS or (ii) becomes subject to provisions of local law intended to implement an intergovernmental agreement entered into pursuant to FATCA, in each case to the extent such payments are attributable to U.S. source income, unless the foreign entity receiving such payments complies with various U.S. information reporting and/or due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with such foreign entity) or otherwise qualifies for an exemption. Based on current guidance, the Issuer does not expect payments on the Notes to be subject to the withholding tax rules under FATCA; however, if the Notes are ''materially modified'' (within the meaning of applicable U.S. Treasury Regulations) after the date that is six months after the date final regulations define a ''foreign passthru payment'' under FATCA, certain ''foreign passthru payments'' made on the Notes on or after January 1, 2017 may become subject to the withholding tax rules under FATCA. If such withholding is required under FATCA, holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for such withholding. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the 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, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, the Notes in an aggregate principal amount of €5,640 million (equivalent).

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 propose to offer the Dollar Senior Secured Notes and the Euro Senior Secured Notes initially at the respective price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers and their respective affiliates against certain liabilities, including certain liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 45 days after the date hereof, we will not and our subsidiaries will not without the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by us or any of our subsidiaries (other than the Notes, the Guarantees and any intercompany debt).

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 except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under ''Notice to Investors.''

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 us 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 Purchaser 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.''

We 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 harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We will apply list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market, 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. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with the offering, each of the Stabilizing Managers, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, each of the Stabilizing Managers, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. Each Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, each 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. Each 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 Purchaser 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 or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. 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. Goldman Sachs International and/or certain of its respective affiliates and Deutsche Bank, Paris Branch or certain of its affiliates are currently acting as financial advisers to Vivendi and/or its Boards (including the Supervisory Board) in connection with the SFR Acquisition. Each of the Initial Purchasers or one of their affiliates are or will be lenders under the Numericable Group Revolving Credit Facilities and the Numericable Group Term Loan. Additionally, Deutsche Bank AG, London Branch, Crédit Agricole Corporate and Investment Bank, BNP Paribas, and ING Bank France and/or their respective afffiliates are also mandated lead arrangers and/or lenders under the Ypso France Senior Facility Agreement and they and other Initial Purchasers may hold positions therein and in the February 2012 Notes and/or the October 2012 Notes, which will be indirectly repaid using the proceeds of the Notes offered hereby. 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. Each of the Initial Purchasers (other than ING Bank N.V., London Branch) are also party to volume underwriting arrangements, acting severally and not jointly in respect of the Rights Issue and an equity financing of Altice S.A. to be effected in connection with the Transactions.

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 day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Investment funds advised by entities affiliated with Altice 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 the investment funds and the affiliates of Altice to buy or sell Notes in the future and, as a result, these investment funds and affiliates of Altice may buy or sell the Notes in open market transactions at any time following the consummation of the Offering.

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

France

French insolvency laws

The Issuer is incorporated under the laws of France, and as such any insolvency proceedings applicable to such a company is 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*), out-of-court proceedings (*mandat ad hoc* and *procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) and judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*). In general, French safeguard, accelerated financial safeguard, reorganization or liquidation 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 proceeding 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.

Out-of-court and in-court proceedings. French law distinguishes between:

- **out-of-court 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 with a view to 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
- **in-court proceedings** (*procédures collectives*), which are court-administered 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 safeguard

proceedings, as discussed below). Within this second category, French law further distinguishes between:

- *safeguard proceedings and accelerated 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.

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.

Out-of-Court Proceedings

Mandat ad hoc. 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 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, they usually agree to a standstill. If the negotiations are successful, the parties typically enter into a restructuring agreement which is confidential and not sanctioned by the commercial court. In any event, the debtor retains the right to petition the relevant judge for a grace period, as set forth above.

Conciliation Proceedings. 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. As for the *mandat ad hoc*, the commercial court will appoint a third party (*conciliateur*) which has no coercive power. During the proceedings, creditors may continue to sue individually for payment of their claims but they usually in practice accept not to do so. In addition, the debtor retains the right to petition for a grace period. 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 approval (*homologation*) by the court will make the conciliation proceedings public and may have the following specific consequences:

- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) may be granted a priority of payment over all pre-proceedings and post-proceedings claims (other than certain post-proceedings employment claims and procedural costs) (the ''**New Money Lien**''), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the commercial court may not determine that the date of insolvency is earlier than the date of the approval of the restructuring agreement by the court.

An obligor or third party having guaranteed 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. 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 large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings, as described below.

In-Court Proceedings

Safeguard Proceedings. 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 initial ''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*). Creditors do not have effective control of the procedure, which remains in the hands of the company and the administrator and is overseen by the court which, pursuant to the terms of the judgment commencing the proceedings, exercizes 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 procedure 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 times) 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.

In the case of large companies (with more than 150 employees or a turnover greater than €20 million) or upon request of the debtor or the administrator, 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) will then be established.

The committees must announce whether they approve or reject the safeguard plan within a minimum of 15 days of its proposal. The plan is approved 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. Amounts of claims secured by a trust (*fiducie*) created by the debtor to secure certain creditors are not taken into account.

If there are any bondholders, they will be grouped together (whether or not they are subordinated, secured or unsecured) and 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 and 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.

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. If, within the first six months of the observation period, the creditors' committees and, as the case may be, the bondholders' group, approve the plan, and subject to verification by the court that the interests of all creditors are sufficiently safeguarded and to a rescheduling of the claim of creditors that are not members of the committees or bondholders as discussed hereafter, the court will approve the plan. With respect to creditors who are not members of the committees, or in the event no committees are established, proposals are made to each creditor individually.

For those individual creditors outside the creditors' committee or the bondholders' meeting who have not reached a negotiated agreement, the court can reschedule payment of their debts over a maximum period of ten years, except for debts with maturity dates of more than ten years, in which case the maturity date may remain the same. The court cannot force creditors to waive all or part of their claim or accept debt-for-equity swaps. The first payment must be made within a year of the judgment adopting the plan (as from the third year, the amount of each annual installment must be of at least 5% of the total amount of the debt claim).

In the event that the debtor company's proposed plan is not approved by both committees and the general meeting of bondholders within the first six months of the observation period, either because they do not vote on the plan or because they reject it, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such circumstances the rules are the same as the ones applicable to creditors that are not part of the committees and are not bondholders and, in particular, the court can only impose a rescheduling of the repayment of the debts over a maximum period of ten years (as described and subject to the exceptions referred to in the preceding paragraphs).

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 holders of the Notes of the Issuer and will take part in the general meeting of holders of the Notes and the committees of the holders of the Notes, if any. Therefore, the holders of the Notes 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 holders of the Notes. Holders of the Notes could, as members of the general meeting of holders of the Notes, 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 Financial Safeguard Proceedings. Accelerated financial safeguard (the ''AFS'') permits a debtor, the majority but not all of the financial creditors (i.e. members of the credit institutions' committee and holders of the Notes) of which support a conciliation agreement, to rapidly begin safeguard proceedings, allowing a restructuring plan to be approved by the two-thirds vote of the creditors applicable in safeguard proceedings. Only financial creditors, defined as members of the credit institutions committee (or assimilated), and bondholders are involved in such a restructuring plan, and an AFS filing does not entail suspension of payments to creditors which are not financial creditors (e.g., suppliers). As to financial creditors, the debtor will be prohibited from paying any amounts in connection with the finance documents that fall due during the observation period. Should interest fall due during the observation period, it may only be paid after the judgment of the Commercial Court sanctioning the safeguard plan.

As with normal safeguard proceedings, the plan adopted in the context of an AFS may provide for rescheduling, debt reduction and conversion of debt into equity capital in the debtor company.

In order to file for AFS, 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; (iv) have (w) a minimum annual turnover (currently €20 million calculated on an unconsolidated basis), (x) a minimum number of employees (currently 150 employees), (y) minimum net assets of €25 million on a unconsolidated basis or (z) minimum net assets of €10 million on an unconsolidated basis if it controls a subsidiary that actually meets one of the requirements set forth in (w), (x), or (y); and (v) justify that it has prepared a safeguard plan ensuring the continued operation of the company as a going concern, which has enough support from its credit institution creditors and its bondholders that the plan is reasonably likely to be adopted within a maximum of two months.

Only financial creditors that are members of the committee of credit institutions (or assimilated) and bondholders as mentioned above, are involved in the AFS. Financial creditors and bondholders will vote on the restructuring plan as described above.

Other creditors are not involved or impacted by the AFS. Their claims will continue to be due and payable according to their contractual or legal terms.

The commercial court must approve any restructuring plan within one month of the date on which the proceedings are begun; this deadline may be extended by up to a maximum of one additional month. If a plan is not adopted by the creditors and approved by the court within such deadlines, the court is obligated to terminate the proceedings.

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. Note that the French Constitutional Court held as unconstitutional (i) the opening of judicial reorganization proceedings by the court at its own initiative (December 7, 2012 n°2012-286 QPC), (ii) the opening of judicial liquidation proceedings by the court at its own initiative (March 7, 201, n°2013-386, QPC), and (iii) the termination of the safeguard plan and subsequent opening of judicial liquidation proceedings by the court at its own initiative (March 7, 2014, n°2013-372 QPC). The company is required to petition for insolvency 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 subject to civil liability.

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*). Certain transactions undertaken during such ''hardening'' period may become void or voidable (please see ''—*Void and Voidable Transactions*'' below).

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 initial 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), or the sale of the business or the liquidation of the company. However, it cannot be ruled out that, further to the aforementioned decision from the French Constitutional Court, the constitutionality of the conversion of a safeguard or judicial reorganization proceedings into judicial reorganization or liquidation proceedings, when it is decided upon the court's own initiative, may be challenged. 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 the liquidation procedure.

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 order the liquidation of the company. At the end of the observation period, the outcome of the proceedings is decided by the court.

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 bankruptcy 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.

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, where the applicable security arrangements so contemplate, 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).

Changes to French insolvency regime

French insolvency law will change as a result of Ordinance No. 2014-326 of March 12, 2014 relating to the reform of the prevention of corporate difficulties and of insolvency proceedings (the ''Ordinance No. 2014-326''), which will come into force on July 1, 2014. This reform will affect the current regime explained above in relation to *mandat ad hoc* proceedings, conciliation proceedings, safeguard proceedings, accelerated safeguard proceedings, judicial reorganization and liquidation proceedings.

Ordinance No. 2014-326 provides in particular for the following modifications:

- extension of the benefit of the New Money Lien (referred to above) to creditors who agree to provide cash, goods or services to a debtor in the course of conciliation proceedings. Under current law, creditors are only entitled to enjoy the New Money Lien over claims approved under the conciliation agreement;
- 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;
- possibility to have a ''plan for the sale of the business'' (*plan de cession*) within the context of conciliation proceedings; it being specified that, at the request of the debtor and after notice being given to the creditors, the conciliator may be in charge of organizing the sale;
- prohibition of the commencement of judicial reorganization proceedings by the court at its own initiative;
- creation of a new type of accelerated safeguard proceedings (''*procédure de sauvegarde accélérée*'') to include also non-financial creditors;
- simplification and acceleration of the judicial liquidation proceedings (*liquidation judiciaire*);
- modification of the condition for the application of the grace period under Articles 1244-1et seq. of the French Civil Code;
- contractual provisions modifying the conditions of continuation of a contract, diminishing the rights or increasing the obligations of the debtor due to the opening of a *mandat ad hoc* or a *conciliation* are deemed null and void;
- possibility for creditors to submit to the court an alternative plan under safeguard proceedings;
- a declaration of non-seizability (*déclaration d'insaisissabilité*) entered into during the suspect period may henceforth constitute a ''void transaction'';

- immediate obligation on shareholders to pay-up any unpaid amount of their share capital as soon as the insolvency proceedings are opened;
- at the request of the court-appointed administrator, extension of the deadline to vote on the plan by creditors and bondholders for a period of time which cannot exceed the observation period;
- 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 exercize 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;
- if no plan is adopted by the committees within the first six months period, the court may, at the request of the debtor, the judicial administrator, the *mandataire 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 quickly lead to the company being insolvent ;
- 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 en 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 an equity reduction followed by an equity increase subscribed by a third party which undertakes to comply with such plan; and
- modification of the conditions (deletion of one of the two current conditions) under which the court-appointed administrator has to decide to continue ongoing contracts.

Void and Voidable Transactions. 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 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 measures (unless the writ of attachment or seizure predates the date of insolvency), operations relating to stock options, fiduciary transfers (unless the transfer is made as a security for an indebtedness entered into simultaneously) and modifications to existing fiduciary transfers securing previous debts.

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 suspect period, if the party dealing with the company knew or should have known 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.

In addition, even if they are entered into at a time when the grantor is not insolvent, guarantees, should they be considered disproportionate, could be avoided or reduced by the insolvency court once insolvency proceedings are opened against their grantor.

Status of Creditors During In-Court Proceedings (Safeguard, Accelerated Safeguard Proceedings, Judicial Reorganization or Judicial Liquidation)

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 who have not submitted their claims during the relevant period are barred from receiving distributions made in accordance with the proceedings. Employees are not subject to such limits and are preferential creditors under French law.

From the date of the court order commencing the insolvency proceedings (*sauvegarde, redressement* or *liquidation judiciaire* proceedings), the company is prohibited from paying (i) debts outstanding prior to that date, subject to specified exceptions, (which essentially concern the set-off of interrelated debts and payments made to recover assets for which recovery is justified by the continued operation of the business, *provided* that such payments are authorized by the court) and (ii) debts arising after the opening of the proceedings if such debts are not useful to the proceedings (post-commencement, non privileged debts). During this period, creditors may not pursue any legal action against the company with respect to any claim arising prior to the court order commencing the proceedings or, as the case may be, for the aforementioned post-commencement, non-privileged debts if the objective of such legal action is:

- to obtain an order for or payment of a sum of money by the company to the creditor (however, the creditor may require that a court fix the amount due); or
- to terminate a contract for nonpayment of amounts owed by the company, or to enforce the creditor's rights against any assets of the company.

In AFS proceedings, however:

(i) debts owed to creditors other than banks, financial institutions or bondholders should be paid in the ordinary course; and

(ii) the debtor draws up a list of the claims of its creditors having participated in the conciliation proceedings, which is certified by its statutory auditors and filed with the commercial court and which is deemed to be a filing of their claim by such creditors if they do not file their claim within the general deadlines applicable in other insolvency proceedings referred to above.

Contractual provisions providing that a debtor's payment obligations become due and payable upon the opening of safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization or liquidation proceedings, or insolvency (*cessation des paiements*) are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of all of the debtor's obligations unless the continued operation of the business with a view to the adoption of a plan of sale of the business (*plan de cession*) is ordered by the court, in which case the acceleration of the obligations will only occur on the date of the court decision adopting the plan of sale of the business or on the date on which the continued operation of the business ends.

The administrator may elect to terminate or, provided that the company fully performs its post-petition contractual obligations, continue ongoing contracts (*contrats en cours*). However counterparties to a contract with the company are not allowed to terminate such contract solely on the ground of the opening of insolvency proceedings.

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, the French Treasury and the creditors who provided new money, goods or services to ensure the continuation of the business under conciliation proceedings are given priority.

If the court decides to order the judicial liquidation of the company, the court will appoint a liquidator to sell the assets of the company and settle the relevant debts in accordance with their ranking.

When no due liabilities remain or when the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), when continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actifs*), the court terminates the proceedings.

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 on the grounds of: (i) fraud, (ii) wrongful interference with the management of the debtor, or (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities.

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 and the Numericable Term Loan (other than the Acquisition Facility) shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes and the Numericable Term Loan (other than the Acquisition Facility) 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, provided that (in the case of the Guarantee provided by SFR) it will also include the amount of the proceeds of the offering of the Notes and the Numericable Group Term Loan used by the Issuer to purchase the intercompany loan granted by Vivendi to SFR on the Completion Date, and allow the Issuer to continue to extend the same to SFR following the Completion Date, which remains outstanding at the time such Guarantee is called; it being specified that any payment made by any such French Guarantor under its Guarantee in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by such French Guarantor to that obligor under the intercompany loan arrangements referred to above.

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 Numericable Group 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 their respective Indenture and the Numericable Group Intercreditor Agreement. The pledges governed by French law will directly secure the Parallel Debt, and the other indebtedness secured by the 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.

Each 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 Completion 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 Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the Luxembourg law of 19 December 2002 on the commercial register and annual accounts, as amended (the ''2002 Law'') as at the Completion Date (whether as original party or by way of accession); or

   (2) 90% of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the 2002 Law, as at the date on which a demand is made under the Notes; or

   (3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and liabilities of the Luxembourg Guarantor (as determined by the Agent or if the Agent so decides by a Luxembourg statutory approved auditor (*réviseur d'entreprise agréé*)

(an ''Independent Auditor'') as at the Completion Date (whether as original party or by way of accession); or

(4) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets and liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as at the date on which a demand is made under the Notes).

Security interests considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement must be (i) acknowledged by the company which has issued the shares and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional registration in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;
- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in article 20.4 of the Collateral Act 2005, a third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

Registration in Luxembourg

The registration of the transaction documents with the *Administration de l'Enregistrement et des Domaines* in *Luxembourg* may be required in the case of legal proceedings before Luxembourg courts or in the case that they must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Collateral Act 2005.

The Luxembourg courts or the official Luxembourg authority may require that the transaction documents and any judgment obtained in a foreign court be translated into French or German.

Insolvency

Altice, 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 the Issuer 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 *ex officio* (absent a request made by the company or a creditor). 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 relevant Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiement*) or to put Altice France 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 Altice France in respect of the relevant 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 Altice France during the period before the opening of the insolvency proceedings. If the liquidator or administrator (including, without limitation, in relation to Altice France, any *commissaire, juge-commissaire, liquidateur* or *curateur* or similar official) can show that Altice France 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 Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, 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, 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 of 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 Elvinger, Hoss & Prussen, as to matters of Luxembourg law.

Certain legal matters in connection with this offering will be passed upon for the Trustee by White & Case LLP, as to matters of New York law.

INDEPENDENT AUDITORS

As stated in 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, 2013 in accordance with professional standards applicable in France; (ii) Deloitte & Associés, independent statutory auditors, has audited the combined financial statements as of and for the years ended December 31, 2012, 2011, and 2010 and (iii) 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 and Luxembourg. 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

Our French counsel has advised us that 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, 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 No. 2000-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

If an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French international public policy or in case of overriding mandatory rules. 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 persons. 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 recent case law, the French courts' jurisdiction over French nationals is no longer 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 his or her 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.

The French Supreme Court (Cour de Cassation) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (potestative). Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before 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*).

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on its Euro MTF Market and the rules of such exchange shall so require, copies of the following documents may be obtained electronically or may be inspected and obtained in physical form free of charge at the registered office of the Issuer and Paying Agents during normal business hours on any business day:

- our organizational documents;
- our most recent audited financial statements and any interim quarterly financial statements published by us;
- the Numericable Group Intercreditor Agreement;
- the Indentures relating to the Notes; and
- the Notes Collateral Documents.

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.

The gross proceeds of the offering of the Notes will be €6,040 million (equivalent).

Clearing Information

Dollar Senior Secured Notes

The Dollar Senior Secured Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of DTC and have been assigned the CUSIP numbers, ISINs and common codes (as applicable) set out in the table below.

	CUSIP	ISIN	Common Code
Dollar 2019 Notes			
Rule 144A			
Regulation S			
Dollar 2022 Notes			
Rule 144A			
Regulation S			
Dollar 2024 Notes			
Rule 144A			
Regulation S			

Euro Senior Secured Notes

The Euro Senior Secured Notes sold pursuant to Regulation S and to Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear and have been assigned the ISINs and common codes set out in the table below.

	ISIN	Common Code
Euro 2019 Notes		
Rule 144A		
Regulation S		
Euro 2022 Notes		
Rule 144A		
Regulation S		
Euro 2024 Notes		
Rule 144A		
Regulation S		

Legal Information

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 with the Nanterre Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 794 661 470 and having its registered office at Tour Ariane, 5 Place de la Pyramide, 92088 La Défense Cedex, France.

At the date hereof, the Issuer's share capital amounts to €123,942,012, divided into 123,942,012 shares, all of the same class, and all of which are fully paid and subscribed.

The Issuer is a holding company which conducts is operations indirectly through its operating subsidiaries.

Coditel Debt S.à r.l. has been incorporated as a private limited liability company (société à responsabilité limitée) under the laws of the Grand Duchy of Luxembourg on July 23, 2007. The article of association of Coditel Debt 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 26 September 2007, under number 2107, page 101124 et seq. The registered office of Coditel Debt S.à r.l. is 121, rue de la Faiencerie, L-1511 Luxembourg. The phone number of Coditel Debt S.à r.l. is +352 26 26 87 571. Coditel Debt S.à r.l. is registered with the Luxembourg Trade and Companies Register under number B130807.

Coditel Debt S.à r.l. has a share capital of €2,137,500 comprised of 2,137,500 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 4 of the articles of association of Coditel Debt S.à r.l. relating to its corporate object where the purpose of Coditel Debt S.à r.l. is the acquisition, administration, development and disposal of participations in whichever form in all Luxembourg and foreign companies, the funding in whichever form of the companies which form part of YPSO group and in particular the acquisition, administration and disposal of all or part of loans or claims granted by third parties, whether one or more credit institutions or one or more companies of YPSO group.

Furthermore, Coditel Debt S.à r.l. may (i) acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise, (ii) contract loans and issue bonds or convertible bonds and debt securities, (iii) grant all kinds 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 Coditel Debt S.à r.l. belongs.

In general, Coditel Debt S.à r.l. may likewise carry out all commercial, industrial and financial transactions, whether in the area of securities or of real estate, which are liable to enhance or to supplement its purposes.

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 €2,000,000 comprised of 2,000,000 shares with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 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 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 is a French *société par actions simplifiée* having its registered office at 102, avenue des Champs-Elysées, 75008 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 €163,975,058.04, divided into 227,319,438 shares, all of the same class, and all of which are fully paid and subscribed.

Completel S.A.S. is a French *société par actions simplifiée* having its registered office at Tour Ariane, 5 place de la Pyramide, 92088 Paris La Défense, France registered with the Nanterre 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 S.A.S. 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.

- YPSO France S.A.S. 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 €63,024,740, divided into 6,302,474 shares, all of the same class, all of the same class, and all of which are fully paid and subscribed.

Numericable US is a French *société par actions simplifiée* with a share capital of 1,000 Euros, having its registered office at Tour Ariane, 5 place de la Pyramide, 92088 Paris La Défense, France registered with the Nanterre Trade and Companies Register (*Registre du Commerce et des Sociétés*) of Nanterre under number 801 376 161. At the date hereof, Numericable US' share capital amounts to €1,000, divided into 1,000 shares, all of the same class, and all of which are fully paid and subscribed.

Management

For details on the management of the Issuer, please see ''*Management of the Numericable Group*''.

Coditel Debt S.à r.l. is managed by a board of managers composed of three (3) members being:

1. Mr. Martin DOUXAMI (chairman);
2. Mr. Steve GOUVEIA; and
3. Ms. Catherine GIORDANO.

Ypso Finance S.à r.l. is managed by a sole manager who is Thierry Lemaître.

YPSO Holding 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 is managed by Eric Denoyer as President (*Président*), and Thierry Lemaitre as General manager (*Directeur Général*).

NC Numericable S.A.S. is managed by Eric Denoyer as President (*Président*), and Thierry Lemaitre and Eric Klipfel as General managers (*Directeur Généraux*).

Completel S.A.S. is managed by Eric Denoyer as President (*Président*), and Thierry Lemaitre and Paul Zenou as General managers (*Directeur Généraux*).

Ypso France is managed by Eric Denoyer as President (*Président*), and Thierry Lemaitre as General manager (*Directeur Général*).

Numericable US is managed by Eric Denoyer as President (*Président*), and Thierry Lemaitre as General manager (*Directeur Général*).

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 Coditel Debt 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 Holding 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.

The independent auditor of (i) Completel and (ii) Altice B2B France is Deloitte & Associés.

The independent auditor of Numericable US is KPMG Audit I.S.

The independent auditors of YPSO France are Deloitte & Associés and KPMG Audit I.S.

The independent auditors of NC Numericable are Deloitte & Associés and KPMG Audit, a department of KPMG S.A.

The approved statutory auditor (réviseur d'entreprises agréé) of Coditel Debt S.à r.l. is Deloitte S.à r.l., a private limited liability company (société à responsbilité limitée), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg registered with the Luxembourg Trade and Companies Register under number B67895 which is a member of the Institut des Réviseurs d'Entreprises.

Offering Memorandum

As of the date of this offering memorandum, our most recent audited financial statements available were as of and for the year ended December 31, 2013. 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, 2013.

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*'', ''*Operating and Financial Review and Prospects*'', ''*Industry, Competition and Market Overview*'', ''*Business of SFR*'' and ''*Business of the Numericable Group*'' includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and do not accept further responsibility in respect thereof.

The Trustee

The Trustee is Deutsche Bank AG, London Branch and its address is Winchester House, 1 Great Winchester Street, London, EC2N 2DB. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in their respective Indentures.

GLOSSARY

"3D-TV"	Three dimensional television is a technology used to project a television program into a realistic three-dimensional field.
"3G3G+"	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.
"Bitstream"	Type of wholesale offer allowing alternative operators to lease high speed access activated by another operator on the network. They are then in a position to offer high speed retail services in zones where they are not present through unbundling.
"Broadband"	A general term used to describe wide bandwidth equipment or systems. Broadband communications systems can deliver multiple channels and other services.
"Broadband 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.

‘‘Bulk subscriber’’	Cable customers 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.
‘‘Centrex IP’’	The IP servers situated in the Group’s data centers and used by SMEs for VoIP.
‘‘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 broadcasted 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.

“IPVPN” . . . . See VPN.

“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.

“LME” (Large and Medium-sized companies) . . . . The computing market for companies with greater than 200 employees.

“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.

''MAN'' (Metropolitan Area Networks)	A network that interconnects computers in the same metropolitan area.
''ME'' or ''Midmarket''	Information technology market for medium-sized companies, i.e., companies with between 20 and 1,000 employees.
''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)	A provider of mobile telephony services that provides such services on its own physical network.
''Multiple-play'' or ''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.
''Return path''	A communication connection that carries signals from the subscriber back to the operator.
''RATP''	Régie Autonome des Transports Parisiens.
''RER''	Refers to Réseau Express Regional and is a rapid transit system in France serving Paris and its suburbs.
''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.
''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.
"SoHo" (Small Office, Home Office)	The computing market for very small companies (fewer than 12 employees).
"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.
"Trunk SIP"	The use of voice over IP (VOIP) to facilitate the connection of a private branch exchange (PBX) to the Internet.
"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 the 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).
''Wi-Fi'' (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, Wi-Fi 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.

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NUMERICABLE GROUP

SFR

Numericable Group

Consolidated financial statements

for the year ended December 31, 2013

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

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.

Numericable Group S.A.

Registered office: Tour Ariane—5, place de la Pyramide—92088 Paris La Défense Cedex

Share capital: €.123 942 012

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your by-laws and Shareholders' general meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Numericable Group S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in the following notes to the consolidated financial statements:

- Notes 1.2 «Basis of preparation of the consolidated financial statements» and 1.3 «Comparative information» describe respectively the accounting treatment of the contribution operations to the group and their impact on the preparation and presentation of the consolidated financial statements and the comparative information;
- Notes 4.1.2 «IPO and capital increase» and 4.1.6 «Refinancing of Senior Debt» describe the initial public offering and the refinancing operations which occurred at the end of 2013 and their impact on

the hypothesis made to adopt the going concern assumption for the group as described in note 1.5 «Going concern assumption»;

- Notes 1.3 «Comparative information» and 2.1 «Accounting principles governing the preparation of the consolidated financial statements» describe the change in accounting method resulting from the first implementation of the revised IAS 19 standard.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce),* we bring to your attention the following matters:

Note 3 «Critical accounting judgment and key sources of uncertainty in respect of estimates» to the consolidated financial statements describes the critical accounting policies and main sources of uncertainty in respect to estimates. This note also states that 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. Amongst the significant estimates, there are goodwill and deferred tax assets:

- The company systematically performs, at each closing date, impairment tests on goodwill according to the methods described in note 2.14 «Impairment of goodwill and non-current assets» and note 3 «Critical accounting judgment and key sources of uncertainty in respect of estimates» to the consolidated financial statements.

  We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 16 «Impairment testing» provides appropriate disclosures thereon.

- The Group presents in its statement of financial position deferred tax assets for an amount of 132.7 million euros as at December 31, 2013, as described in note 4.1.7 «Recognition of deferred tax assets» to the consolidated financial statements.

  We assessed the information and assumptions used for the forecasted future use of tax losses to carry forward, reviewed the calculations performed by the company and ensured that Note 3, 4.17 and 12 provide appropriate disclosures thereon.

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 we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory auditors

Paris La Défense, April 2, 2014

KPMG Audit
Department of KPMG S.A.
French original signed by
Grégoire Menou
Partner

Neuilly-sur-Seine, April 2, 2014

Deloitte & Associés
French original signed by
Christophe Saubiez
Partner

Numericable Group

CONSOLIDATED STATEMENT OF INCOME

	Notes	2013	2012
		(in thousands of euros)	
Revenue	6	**1,314,242**	**1,302,425**
Purchases and subcontracting services	7	(611,016)	(602,121)
Staff costs and employee benefits expense	8	(154,631)	(141,475)
Taxes and duties		(33,896)	(32,396)
Provisions		(20,466)	(6,219)
Other operating income	9	86,321	89,229
Other operating expense	10	(20,466)	(17,178)
Operating income before depreciation and amortization (EBITDA)		**560,088**	**592,265**
Depreciation and amortization		(304,042)	(291,724)
Operating income		**256,046**	**300,541**
Financial income		9,704	4,326
Interest relative to gross financial debt		(184,839)	(183,057)
Other financial expense		(148,513)	(32,699)
Finance costs, net	11	**(323,648)**	**(211,430)**
Income tax expense (income)	12	132,792	(2,486)
Share in net income (loss) of associates	17	(484)	(199)
Net income (loss) from continuing operations		**64,706**	**86,426**
Net income (loss) from discontinued operations		—	—
Net income (loss)		**64,706**	**86,426**
—Attributable to owners of the entity		64,550	86,377
—Attributable to non-controlling interests		156	49
Earnings per share (in euros) attributable to owners of the entity	22.3		
Net income (loss)			
—basic		0.56	0.76
—diluted		0.56	0.76

Numericable Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013	2012
	(in thousands of euros)	
Net income (loss) attributable to owners of the entity	**64,550**	**86,377**
Items that may subsequently be reclassified in profit or loss:		
Cumulative translation adjustments	—	—
Change in fair value of available-for-sale financial assets	—	—
Tax on items recognized directly in other comprehensive income	—	—
Items that will not subsequently be reclassified in profit or loss:		
Actuarial gains and losses[(1)]	(458)	(1,496)
Tax on items recognized directly in other comprehensive income	—	—
Total other comprehensive income (loss) attributable to owners of the entity	**64,092**	**84,881**

(1) As indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, by recognizing actuarial gains and losses in ''Other comprehensive income.''

The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements (see Note 1.3).

As the Group operates only in France, the functional and presentation currency of all the entities within the Group is the euro. As a result, no cumulative translation adjustments were recognized as of December 31, 2013 or 2012.

Available-for-sale financial assets consist of various investments in unlisted entities not included in the scope of consolidation (see Note 17) and for which there are no reliable indicators allowing the Group to determine a fair value other than its share of equity. Due to the fact that these investments are not material, these investments are measured at historical cost; accordingly, no unrealized gain or loss is recognized in the consolidated statement of comprehensive income.

Numericable Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
ASSETS			
Goodwill	13	1,483,628	1,458,686
Other intangible assets	14	307,362	326,187
Property, plant and equipment	15	1,464,763	1,389,932
Investments in associates	17	2,893	3,377
Other non-current financial assets	18	7,263	6,831
Deferred tax assets	12	132,662	—
Non-current assets		**3,398,571**	**3,185,013**
Inventories	19	49,568	45,609
Trade receivables and other receivables	20	402,888	417,371
Other current financial assets	18	4,020	4,034
Income tax receivable	12	3,410	6
Cash and cash equivalents	21	101,365	7,996
Assets classified as held for sale		—	—
Current assets		**561,251**	**475,016**
TOTAL ASSETS		**3,959,822**	**3,660,029**

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
EQUITY AND LIABILITIES			
Share capital		123,942	—
Additional paid-in capital		2,108,037	—
Reserves		(1,978,611)	—
Net invested equity attributable to owners of the parent[(a)]		**253,368**	**(287,364)**
Non-controlling interests		193	33
Total invested equity	22	**253,561**	**(287,331)**
Non-current financial liabilities	23	2,701,894	2,926,343
Non-current provisions	24/25	73,633	63,973
Deferred tax liabilities	12	—	—
Other non-current liabilities	26	102,585	111,266
Non-current liabilities		**2,878,112**	**3,101,582**
Current financial liabilities	23	64,249	114,732
Current provisions	24/25	6,411	2,409
Trade payables and other current liabilities	27	757,418	726,033
Current income tax liabilities	12	71	2,604
Liabilities classified as held for sale		—	—
Current liabilities		**828,149**	**845,778**
TOTAL EQUITY AND LIABILITIES		**3,959,822**	**3,660,029**

(a) See the statement of changes in equity for the reconciliation of combined equity as of December 31, 2012 (see Note 1.2) with consolidated equity as of December 31, 2013.

Numericable Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital	Additional paid-in capital	Reserves	Net invested equity attributable to owners of the parent	Non-controlling interests	Total invested equity
			(in thousands of euros)			
Total combined equity as of December 31, 2011	**—**	**—**	**(372,233)**	**(372,233)**	**(57)**	**(372,290)**
Dividends paid						
Comprehensive income	—	—	84,881	84,881	49	84,930
Issuance of shares	—	—	—	—	—	—
Acquisition of non- controlling interests	—	—	(12)	(12)	41	29
Total combined equity as of December 31, 2012	**—**	**—**	**(287,364)**	**(287,364)**	**33**	**(287,331)**
Dividends paid	—	—	—	—	—	—
Comprehensive income	—	—	64,092	64,092	156	64,248
Contribution of Ypso and Altice B2B(1)	113,772	1,881,717	(1,995,489)	—	—	—
Issuance of new shares(2)	10,170	226,320	—	236,490	—	236,490
Stock option plan(3)	—	—	640	640	—	640
Transactions with shareholders(4)	—	—	239,508	239,508	—	239,508
Other	—	—	2	2	4	6
Consolidated equity as of December 31, 2013	**123,942**	**2,108,037**	**(1,978,611)**	**253,368**	**193**	**253,561**

(1) Contributions of Ypso Holding SARL and Altice B2B Luxembourg SARL to Numericable Group, which resulted in a capital increase of 1,995.5 million euros (see Note 4.1.1);

(2) Capital increases carried out within the framework of the Company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO, which were charged to additional paid-in capital in the amount of 14.6 million euros (expenses recorded without tax effect) (see Note 4.1.2);

(3) Cost of the stock option plan granted on November 7, 2013 in favor of certain officers and employees of the Group (see Note 4.1.3);

(4) Extinguishment of shareholders debts within the framework of the contributions made to Numericable Group prior to the IPO (Super PECs) (see Note 4.1.1).

Numericable Group

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
Net income (loss) from continuing operations		**64,706**	**86,426**
Non-cash items			
Share in net income (loss) of associates	17	484	199
Depreciation and amortization		316,920	286,993
Gains and losses on disposals	9-10	9,688	3,565
Income tax expense (income)	12.1	(132,792)	2,486
Cost of gross financial debt	11	184,839	183,516
Other non-cash items(1)		110,073	3,028
Change in working capital and other payments			
Change in working capital		20,653	(31,911)
Income tax paid		(4,292)	(3,342)
Net cash provided (used) by operating activities		**570,279**	**530,960**
Purchases of property, plant and equipment and intangible assets(2)	14-15	(330,090)	(299,890)
Proceeds from disposals of property, plant and equipment and intangible assets	9	5,078	3,816
Decrease (increase) in loans and other non-current financial assets	414	(568)	(3,440)
Investments in companies included in the scope of consolidation, net of cash acquired(3)	4.1.5	(27,337)	(6)
Investment subsidies and grants received		10,260	14,303
Net cash provided (used) by investing activities		**(342,657)**	**(285,217)**
Capital increases of the parent company(4)	4.1.2	236,490	—
Issuance of debt(5)	4.1.6	797,223	830,975
Repayment of debt(6)	4.1.6	(987,420)	(957,189)
Interest paid		(180,546)	(152,113)
Net cash provided (used) by financing activities		**(134,253)**	**(278,327)**
Net cash flow from continuing operations		**93,369**	**(32,584)**
Net cash flow from discontinued operations		—	—
Net increase (decrease) in cash and cash equivalents		**93,369**	**(32,584)**
Cash and cash equivalents—opening balance		**7,996**	**40,580**
Cash and cash equivalents—closing balance		**101,365**	**7,996**

(1) In 2013, other non-cash items mainly relate to:

- — expenses relating to the extinguishment of shareholder debts (''premiums'' relative to the cancellation of Super PECs) in the amount of 81.6 million euros (see Note 4.1.1);
- — the staggering of borrowing costs using the amortized cost method, with no effect on cash, in the amount of 20.0 million euros.

(2) Investments in property, plant, equipment and intangible assets financed through finance leases in the amount of 39 million euros (21 million euros in 2012) had no impact on the statement of cash flows at the time of the purchases.

(3) Mainly the price paid in connection with the acquisitions of LTI (25.5 million euros) and Valvision (3.3 million euros), net of cash acquired (1.5 million euros). See Notes 4.1.4 and 4.1.5.

(4) Capital increases carried out within the framework of the company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO in the amount of 14.6 million euros (see Note 4.1.2).

(5) Mainly the implementation of the new Tranche D in the amount of 800 million euros net of expenses paid in the amount of 10 million euros (see Note 4.1.6).

(6) This amount primarily reflects debt extinguished during refinancing transactions in December 2013 (bonds in the amount of 480 million euros, Altice B2B senior debt in the amount of 451 million euros, see Note 4.1.6).

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Numericable Group
Consolidated Financial Statements
for the year ended December 31, 2013

1 Basis of preparation of the consolidated financial statements

1.1 Numericable Group

Numericable Group (hereinafter referred to as ''**the Company**'') is a limited company incorporated under French law in August 2013, and is headquartered in France.

On November 7, 2013, Numericable Group 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.

Ypso France, which operates the Numericable 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 SAS, operates the largest alternative fiber-to-the-office (''FTTO'') network in France, constituting the third-largest alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, including data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

1.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2013, 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 International Accounting Standards Board (''IASB'') and adopted in the European Union as of December 31, 2013. These international standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC).

The consolidated accounts were prepared under the responsibility of the Board of Directors, and approved by the Board of Directors on April 1st, 2014.

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 May 2014.

As Ypso Holding SARL and Altice Lux Holding SARL, before being contributed to Numericable Group 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 do not constitute an acquisition within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction in carrying amounts, and the consolidated financial statements are prepared as if the contribution of the equity securities of Ypso Holding SARL and Altice Lux Holding SARL had occurred before January 1, 2012, the opening of the comparative period presented. The consolidated financial statements as of December 31, 2013 accordingly cover a period of 12 months.

1.3 Comparative information

The comparative data presented in respect of the 12 months ended December 31, 2012 correspond— with the exception of the application of IAS 19R (as disclosed hereafter)—to the combined financial statements of the two subgroups Ypso and Altice B2B (hereinafter referred to as the ''**Two Groups**'').

Before being contributed to Numericable Group on November 7, 2013, the Two Groups were entities under common control (controlled by the Carlyle, Cinven and Altice private equity funds).

1 Basis of preparation of the consolidated financial statements (Continued)

Accordingly, the financial datas presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which formed two separate groups as of December 31, 2012.

Moreover, as indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, recognizing actuarial gains and losses in ''Other comprehensive income.'' The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements.

The impact of this adjustment on the items and main aggregates of the 2012 statement of income is set out in the following table (reconciliation of the 2012 combined financial statements with the restated 2012 financial statements presented for comparison purposes in this document).

	Reported 2012 financial statements	IAS 19R adjustment	Restated 2012 financial statements
	(in thousands of euros)		
Provisions	(7,715)	1,496	(6,219)
Operating income before depreciation and amortization (EBITDA)	**590,769**	**1,496**	**592,265**
Operating income	**299,045**	**1,496**	**300,541**
Net income (loss)	**84,930**	**1,496**	**86,426**
Other comprehensive income	**0**	**(1,496)**	**(1,496)**
Comprehensive income	**84,930**	**—**	**84,930**

1.4 List of entities included in the scope of consolidation

Subsidiaries

Consolidated entities are companies controlled by the Group (including special-purpose entities), i.e. entities in which the Group has the power to govern financial and operating policies so as to obtain benefits. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control commences until the date at which control ceases. Non-controlling interests in subsidiaries are identified separately in the statement of changes in equity.

Associates

Investments, in which the Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investments are referred to as ''associates'' throughout these consolidated financial statements. Significant influence is the power to participate in the financial and operating policy decisions of the associate, but not control or joint control over said decisions. Associates are initially recognized at historical cost. The consolidated financial statements include the consolidated Group's share of income and expenses, from the date at which significant influence commences until the date at which significant influence ceases.

As of December 31, 2013 and 2012, the consolidated financial statements include the following entities:

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Numericable Group	5 Place de la Pyramide—92088 Paris La Défense	Parent company	100%	N/A	100%	N/A

1 Basis of preparation of the consolidated financial statements (Continued)

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control 2013	% control 2012	% interest 2013	% interest 2012
Ypso Holding SARL	3 boulevard Royal L-2449 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso France SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
NC Numericable SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
Numericable SAS(1)	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	N/A(1)	100%	N/A(1)	100%
Est Vidéocommunication SAS(1)	14 rue des Mercuriales—67450 Lampertheim	Full consolidation	N/A(1)	100%	N/A(1)	100%
ENO Belgium	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Full consolidation	100%	100%	100%	100%
Numericable Finance SARL	Luxembourg	Full consolidation	100%	100%	100%	100%
Stichting Ypso 1	Netherlands	Full consolidation	100%	100%	100%	100%
Stichting Ypso 2	Netherlands	Full consolidation	100%	100%	100%	100%
ENO Holding	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%
TME France SA	Fort de Tourneville—55, rue du 329ème—76600 Le Havre	Full consolidation	100%	100%	100%	100%
Coditel Debt	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso Finance SARL	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Sequalum Participation SAS	5, place de la Pyramide—92800 Puteaux	Full consolidation	95%	95%	95%	95%
Sequalum SAS	5, place de la Pyramide—92800 Puteaux	Full consolidation	95%	95%	95%	95%
Alsace Connexia Participation	40-42 Quai du Point du Jour—92100 Boulogne	Equity method	38.15%	38.15%	38.15%	38.15%

1 Basis of preparation of the consolidated financial statements (Continued)

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Altice B2B France	102 Avenue des Champs Elysées—75008 Paris	Full consolidation	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide—92088 Paris La Défense	Full consolidation	100%	100%	100%	100%
LTI Telecom(2)	300 route Nationale, 6 Le Bois des Côtes—69760 Limonest	Full consolidation	100%	N/A	100%	N/A
Invescom(2)	300 route Nationale, 6 Le Bois des Côtes—69760 Limonest	Full consolidation	100%	N/A	100%	N/A
B3G NV	Netherlands	Full consolidation	100%	100%	100%	100%

(1) Numericable and Est Vidéocommunications were merged in NC Numericable in December 2013.

(2) Invescom and LTI Telecom were acquired on October 31, 2013, as mentioned in ''Significant events.''

1.5 Going concern assumption

The Group was formed by a series of acquisitions, funded mainly by external borrowings. The construction and subsequent modernization of the network have also required substantial investments. These two factors explain the Group's financial structure, namely the significant proportion of financial liabilities in relation to consolidated equity, as well as the significant interest expense.

The Group currently services its debt and funds its investments through net cash from operations. Furthermore, the Group's covenants under its loan agreements require it to comply with certain liquidity ratios (see section 23.1) and to maintain certain cash levels.

Furthermore, as explained in Note 4.1.6, the Group refinanced its Senior Debt in 2013, rescheduling a large portion of its debt.

Under these conditions, and in view of the updated cash flow projections, the Board of Directors believes that the Group will be able to finance its cash requirements for the 12 months from the close of the 2013 consolidated financial statements, and to meet its obligations in respect of its debt during this period.

As a result, the consolidated financial statements for the year ended December 31, 2013 have been prepared on a going concern basis.

2 Significant accounting policies

2.1 Accounting principles governing the preparation of the consolidated financial statements

Standards and interpretations applied by the Group as of December 31, 2013

The accounting policies for recognition and measurement used in preparing the consolidated financial statements for the year ended December 31, 2013 are the same as those used for the combined financial statements of Numericable Group, prepared in accordance with IFRS.

As mentioned in Note 1, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted by the European Union (''**EU**''), with

2 Significant accounting policies (Continued)

mandatory application for annual periods ended December 31, 2013. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the consolidated financial statements. They are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Standards and interpretations adopted by the European Union with mandatory application as of December 31, 2013 are similar to the standards and interpretations published by the International Accounting Standards Board (''**IASB**''), with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* (''**IAS 39**'') and the following standards and interpretations adopted by the EU but not yet mandatory in the EU from December 31, 2013.

Standards and interpretations mandatory for the year ended December 31, 2013

– IAS 19R (revised in 2011) *Employee Benefits* (applicable no later than January 1, 2013 for the Group) (''**IAS 19R**'')

The main changes resulting from this revision are:

- the recognition of actuarial gains and losses through ''Other comprehensive income.'' This results in a change in accounting principles, as the Group previously recognized actuarial gains and losses through profit or loss;
- the modification of the calculation of the financial component, due to the removal of the expected return on plan assets, which did not have an impact on the Group's financial statements;
- the immediate expensing of non-vested past service costs.

In accordance with the provisions of IAS 19R, the Group has applied the new provisions retrospectively. The effect of the changes is described in Note 1.3 above.

Other amendments and interpretations applicable from December 31, 2013, but without material impact on the Group are as follows:

– Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* and *Separate Financial Statements*

  This amendment to IAS 1 requires changing the presentation of other comprehensive income in the consolidated statement of comprehensive income, in order to present items liable to be reclassified in profit or loss separately from items that will never be reclassified in this manner. Comparative information is also presented in the same way.

– IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (''**IFRIC 20**'')

– Amendments to IFRS 7 *Disclosures: Offsetting Financial Assets and Financial Liabilities*

– Amendments to IFRS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities*

– Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

– IFRS 13 *Fair value Measurement* (''**IFRS 13**'')

  IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It defines fair value, sets out a framework for measuring fair value and lists disclosure requirements in respect of fair value measurements, including the fair value hierarchy currently set out in IFRS 7 *Financial Instruments: Disclosures*.

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new provisions in respect of fair value prospectively.

2 Significant accounting policies (Continued)

Standards and interpretations mandatory after December 31, 2013 and not adopted early

The following are standards and interpretations that had been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of these consolidated financial statements but which are not yet mandatory. The Group has not elected to adopt them early.

– IAS 27 (revised in 2011) *Separate Financial Statements* (applicable no later than January 1, 2014 for the Group) (''**IAS 27 Revised**'')

This standard sets out recognition and disclosure provisions for separate financial statements, i.e. financial statements prepared by a parent, an investor, a joint venture or an associate, when such investments are carried at acquisition cost or in accordance with IAS 39. The standard also outlines the accounting requirements for dividends, and contains numerous disclosure requirements.

– IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (applicable no later than January 1, 2014 for the Group) (''**IAS 28 Revised**'')

This standard relates to the consolidation of joint ventures and associates under the equity method.

Some clarifications have been included with respect to accounting for changes in ownership interests (with or without loss of control). These disclosures are now covered by IFRS 12 *Disclosure of Interests in Other Entities*.

– IFRS 10 *Consolidated Financial Statements* (applicable no later than January 1, 2014 for the Group) (''**IFRS 10**'')

IFRS 10 supersedes SIC-12 *Consolidation of Special-Purpose Entities* and IAS 27 for the part relating to consolidated financial statements. This standard deals with the consolidation of subsidiaries and special-purpose entities, and redefines control, which is the basis of consolidation.

– IFRS 11 *Joint Arrangements* (applicable no later than January 1, 2014 for the Group) (''**IFRS 11**'')

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities: Non-Monetary Contributions by Venturers*.

This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties sharing control.

Joint arrangements are classified into two categories: (i) joint ventures, where each party has an interest in the net assets of the entity, which is accordingly consolidated at equity, a method already applied by the Group; and (ii) joint operations, where each party has direct rights to the assets and direct obligations in respect of the liabilities of the entity, which is consolidated in accordance with the contractual arrangement.

– IFRS 12 *Disclosure of Interests in Other Entities* (applicable no later than January 1, 2014 for the Group) (''**IFRS 12**'')

IFRS 12 replaces provisions relating to disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard combines and supplements disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated SPEs.

– Amendment to IAS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities* (applicable on a mandatory basis for annual periods beginning on or after 1 January 2014)

Management is currently assessing the potential impact of the application of these standards and amendments on the statement of income, the statement of financial position, the statement of cash flows and the notes to the financial statements, but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

2 Significant accounting policies (Continued)

The financial statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below:

– derivative financial instruments measured at fair value;

– financial assets at fair value through profit and loss measured at fair value;

– available-for-sale financial assets measured at fair value.

2.2 Foreign Currency Translation Adjustments

The consolidated financial statements are presented in euros, the functional currency of the Group. All financial data are rounded to the nearest thousand euro.

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 a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed. 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 is mainly composed of:

– TV subscriptions, broadband Internet, basic cable services, telephony and installation fees invoiced to residential and business clients.

– Data transmission and very high speed Internet services, telecommunications services, convergence and mobility solutions invoiced to business clients.

– Network infrastructure services, including indefeasible rights of use (''IRUs'') arrangements and bandwidth capacity on the network, provided to other telecommunications operators, as well as the related maintenance services.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales between entities included in the scope of consolidation.

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

– Revenues from subscriptions for basic cable services, digital pay TV, Internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls made outside plans are recognized when the service is rendered.

– When a promotion not related to a customer's past consumption and purchases (such as a discount on the subscription price or free subscription for a given period) is offered to a customer, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Group has the enforceable and contractual right to deliver the products after the free promotional period offered to the customer. If a promotion is not related to the subscription for a contract including a non-cancellable period, the Company recognizes revenues during the promotional period in the amount of the consideration received or receivable, as the customer's continuance is not assured.

– Installation and set-up fees (including connection) for residential customers are recognized as revenues when the service is rendered.

2 Significant accounting policies (Continued)

- Service access fees for business clients, when the access to the services is provided and they are associated to equipment or a service, are deferred, and the revenue is recognized along the estimated duration of the customer relationship, based on statistical data. They are generally staggered over the term of the contract.
- The revenue related to transmission capacity on terrestrial cables under IRU arrangements are recognized on a straight-line basis over the term of the contract.

2.4 Deferred revenue

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments in relation to IRUs and connection fees. For these arrangements, the revenue is generally recognized on a straight-line basis over the term of the contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

2.5 Operating income before depreciation and amortization

The Group has included the aggregate ''Operating income before depreciation and amortization'' or ''EBITDA'' in the consolidated statement of income because management believes that this aggregate is useful: it provides a measure of operating results that excludes non-cash items such as depreciation and amortization, 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. Further, this aggregate should not be considered as a proxy for operating income, as the effects of depreciation, amortization and impairment, which are excluded from this measure, ultimately have an impact on operating income, which is also presented in the consolidated financial statements in accordance with IFRS 1.

2.6 Financial income and expense

Financial income and expense primarily comprise:

- interest expense 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* (''**IAS 39**''), and which are recognized in ''Interest relative to gross financial debt'' in the consolidated statement of income;
- interest income relating to cash and cash equivalents.

2.7 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

2 Significant accounting policies (Continued)

B2C Operations

The Group provides residential and business customers with TV subscription services, broadband Internet, basic cable services, telephony 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 Services

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.

2.8 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except if it relates to items recognized directly in equity, in which case it is recognized in equity (see Note 4.1.7).

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 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 difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for companies included in the scope of consolidation, a deferred tax liability may be recognized 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, based on the laws that have been enacted or substantively enacted 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 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 within a foreseeable timeframe.

2.9 Government grants and investment subsidies

Entities of the Group may receive government grants and investment subsidies in the form of direct or indirect funding of investment projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the consolidated statement of

2 Significant accounting policies (Continued)

income, based on the pattern in which the related asset's expected future economic benefits are consumed.

2.10 Goodwill and business combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3R are recognized at their fair value at the acquisition date, except for non-current assets (or groups earmarked for disposal), which are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and measured at the lower of their carrying amount and fair value less costs to sell.

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* (''**IAS 32**'') 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 recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interests in a subsidiary that is already included in the scope of combination), the Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27, with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the consolidated statement of financial position. Impairment relative to this goodwill is presented on the ''Depreciation and amortization'' line of the consolidated statement of income.

Goodwill resulting from the acquisition of associates is included in the carrying amount of the investment. Impairment relative to this goodwill is presented on the ''Share in net income (loss) of associates'' line.

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 16.

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

2.11 Intangible assets

Recognition and measurement principles

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use.

2 Significant accounting policies (Continued)

Intangible assets consist mainly of indefeasible rights of use, patents, and purchased and internally developed software.

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 fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized over the shorter of the expected period of use and the life of the contract between 3 and 20 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.

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 recognized 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. 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 measure reliably 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 generally does not exceed three years.

Agreements entered into with local authorities

To set up and operate its networks, the companies of the Group have in the past (and often before entering the Group) entered into various agreements with local authorities and representative bodies under successive legal frameworks (French cable network plan, Freedom of Communication Act of 1986, etc.). Many of these agreements convey exclusive rights to the operator and lay down obligations in terms of local television service provision, programming, pricing policy, and the associated license fees payable. Some of the agreements are public service concessions with ''return property'' clauses, whereby ownership of the technical equipment and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, known as the ''Telecoms Package,'' establish the principle of open competition among operators in the telecommunications market, requiring national regulatory authorities to enforce fair competition conditions, without granting exclusive or special rights for setting up and operating networks. The French law of July 9, 2004, which transposed the Telecoms Package into French law, required that existing agreements be brought into compliance by the end of July 2007 at

2 Significant accounting policies (Continued)

the latest, removing all exclusive rights clauses and ensuring the shared use of public civil engineering infrastructure.

Only a minority of agreements entered into with local authorities were liable to be classified in the category of public service concessions when these agreements were concluded. As such, IFRIC 12 *Service Concessions* applies solely to the public service concession arrangement with the department of Hauts-de-Seine (*Délégation de Service Public 92*).

Service Concession agreement entered into with the department of Hauts-de-Seine

Sequalum, a subsidiary of the Group, was selected in 2007 by the department of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home (''FTTH'') high-capacity fiber network throughout the department under a public service concession arrangement (*Délégation de Service Public*—DSP) known as DSP 92. A DSP is a form of public-private partnership under French law, pursuant to which a public authority entrusts private entities to operate a public service in return for remuneration that is based on the revenue generated by the service in question.

The terms of the service arrangement signed between Sequalum and the department of Hauts-de-Seine require Sequalum to construct the network—completing construction by 2015—and maintain and operate the network to a specified standard for 25 years. At the end of the 25th year, the service arrangement will end.

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, i.e. a right to collect revenue from the network users. In accordance with IAS 38 and IFRIC 12, Sequalum recognizes the intangible asset at cost, net of grants, i.e. the fair value of the consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

Main characteristics of the agreement:

Control and regulation of prices	Origin of revenues	Subsidy granted by grantor	Residual value	End of agreement	Accounting model
Rates are defined in the service agreement	Users	59 million euro subsidy to finance the construction	The network will be returned to the grantor with no indemnity, except for some assets (*actifs de reprise*)	Contract will end after 25 years	Intangible assets

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

2 Significant accounting policies (Continued)

When property, plant and equipment include significant components with different useful lives, the components are recorded and amortized separately. With respect to network and technical equipment, depreciation is calculated on a straight-line basis. The main depreciation periods are as follows:

Network and technical equipment	Method	Duration
Network hubs	Straight line	10 to 15 years
Optical cables	Straight line	15 to 30 years
Engineering facilities	Straight line	20 to 40 years
Connections	Straight line	5 years
Digital terminals	Straight line	3 to 5 years
Furniture	Straight line	5 to 10 years
Fixtures and fittings	Straight line	8 to 10 years
Transport equipment	Straight line	2 to 5 years
Office equipment	Straight line	3 to 5 years
Computer equipment	Straight line	3 to 5 years

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 statement of income.

2.13 Lease arrangements

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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. 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 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 Significant accounting policies (Continued)

2.14 Impairment of goodwill and non-current assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress are subject to annual impairment testing during the second half of each fiscal year.

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 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 from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' of the statement of income. 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 Financial assets

The Group classifies financial assets in four categories: available-for-sale; loans and receivables; held-to-maturity; and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets in accordance with IAS 1.

Purchases and sales of all financial assets are recognized at the settlement date.

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is sold or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is reclassified in profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in companies that are not included in the scope of consolidation. Fair value corresponds to the quoted price for listed securities. For non-listed securities, the Group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from equity to profit or loss. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a

2 Significant accounting policies (Continued)

material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of the statement of financial position.

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 mainly includes trade and other receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount, is 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.

The Group does not classify any financial asset in this category.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value, with gains and losses recorded as financial income or expenses.

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, mainly 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 realizable 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 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 derivative instruments include borrowings under the Senior Facility Agreement (''SFA''), debt related to finance leases, guarantee deposits, advances received and bank overdrafts.

They are measured at amortized cost, using the effective interest method in accordance with IAS 39. The effective interest rate is the internal rate or 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 statement of financial position.

2.19 Derivative instruments

Derivatives are initially recognized at fair value on the date of inception of a derivative contract, and are subsequently remeasured at their fair value.

The Group enters into interest rate swaps and caps to manage its interest rate exposure. The objective is to convert variable rate financial instruments into fixed rate financial instruments. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any these derivative instruments are recognized immediately in the statement of income, under financial income and expenses.

2.20 Employee benefits, provisions and contingent liabilities

Provisions are recognized when the Group has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that economic benefits in the form of an outflow of resources will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. Provisions are reviewed at the end of each reporting period, and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes, but are not recognized.

2 Significant accounting policies (Continued)

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 in personnel expenses in the statement of income.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 Revised *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, expected life expectancy, the probable future length of employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized in other comprehensive income.

Litigation

The amount of provisions for litigation is based on the Group's assessment of the level of risk, and depends on its assessment of the basis for the claims.

Restructuring

Provisions for restructuring expenses are recognized when restructuring plans have been finalized and approved by the Group's management, and when the Group has raised a valid expectation among the employees concerned that it will carry out the plan either by starting to implement the plan or announcing its main features. These provisions only include direct expenditure arising from restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly related to the closure of facilities.

2.21 Share-based payment

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 of the grant of the option, 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 recognized as personnel expenses over the vesting period, taking into account an 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 recognized is adjusted accordingly.

2.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. 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 deployment of the network. IAS 23 *Borrowing Costs* consequently has no impact on the consolidated financial statements.

2.23 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.

2 Significant accounting policies (Continued)

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 has 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 judgments 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 judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

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.

The valuation of certain assets and liabilities in the preparation of these financial statements required management to make estimates and assumptions, particularly in respect of:

- *Revenue recognition:* as indicated in Note 2.3, revenue is recognized at the fair value of the consideration received or to be received when the risks and rewards of ownership of a product have been substantially transferred to the buyer or when the service is rendered. With respect to contracts that include installation, connection and set-up fees for residential customers, significant judgments must be made as to whether the recognition criteria set out in IAS 18 should be applied separately and whether installation, set-up and connection should be considered separable services. With respect to service access fees for business customers, revenue is recognized on a straight-line basis over the term of the contract. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized can differ significantly.
- *Capitalization of development costs:* the criteria for capitalizing development costs are set out in Note 2.11. Once capitalized, these costs are amortized over the estimated useful lives of the respective products (generally three years). The Group must therefore evaluate the commercial and technical feasibility of its development projects and estimate the useful lives of the products resulting from these projects. Should a product fail to substantiate these assumptions, the Group may be required to impair or write off some of the capitalized development costs in the future. Note 14 provides information on the amount of capitalized costs in the consolidated statement of financial position.
- *Fair value of financial instruments* (see Note 28.3): fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market such as interest rate swaps, which the Group currently uses to hedge its interest rate risk, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted future cash flows.
- *Recognition of deferred tax assets on unrealized tax loss carryforwards* (see Notes 2.8, 4.1.7 and 12): deferred tax assets relate primarily to tax loss carryforwards. The assets relating to tax loss carryforwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on an in-depth review. The Group analyzes past events, and the positive and

3 Critical accounting judgments and key sources of uncertainty in respect of estimates (Continued)

negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carryforwards. As of December 31, 2013 the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

- *Impairment tests* (see Notes 2.10 and 16): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value less costs to sell as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs, as well as discount rates.

  The determination of the value in use is based on assumptions such as the weighted average cost of capital and the perpetual growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such requiring the recognition of an impairment loss.

  As of December 31, 2013 and 2012, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

CGU "B2C Operations"	2013	2012
Length of forecast period	5 years	8 years
Discount rate	7.30%	7.56%
Growth rate beyond forecast period for terminal value	2.00%	1.75%

CGU "B2B Operations" and "Wholesale"	2013	2012
Length of forecast period	5 years	6 years
Discount rate	7.14%	9.42%
Growth rate beyond forecast period for terminal value	2.00%	1.00%

  The calculation of value in use is based on financial budgets approved by management, the period of which was reduced to five years in 2013 in accordance with the recommendations of IAS 36. Projections in respect of subscribers, revenue, 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, average revenue per user and the level of upgraded network infrastructure. The projections are based on both past experience and the expected future market penetration of the various products.

4 Significant events

4.1 Year ended December 31, 2013

4.1.1 Constitution of Numericable Group

Numericable Group was established in July 2013 by way of cash contributions in an initial amount of 37 thousand euros.

On November 7, 2013, Numericable Group 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 Numericable Group increased the capital of the Company by a total of 1,995,489 thousand euros, breaking down into a 113,772 thousand euro increase in share capital and a 1,881,717 thousand euro increase in additional paid-in capital.

4 Significant events (Continued)

Following the contributions, the Company's share capital accordingly amounted to 113,809 thousand euros, and additional paid-in capital to 1,881,717 thousand euros.

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 capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Subsequently, the expense related to the extinguishment of the debt (''Premium'') was recognized as financial expense in the amount of 81.6 million euros. This expense had no impact on the Group's cash position.

4.1.2 IPO and capital increases

On October 25, 2013, the Board of Directors of Numericable Group decided in principle to undertake an initial public offering of the Company on NYSE Euronext Paris.

On November 7, 2013, the Board of Directors:

- priced the IPO at 24.80 euros per share;
- decided to increase share capital by a total amount of 250,000 thousand euros through a public offering (including a 10,081 thousand euro capital increase through the issuance of new shares and 239,919 thousand euros in additional paid-in capital);
- proposed a capital increase reserved for employees, which was ultimately carried out in the amount of 1,034 thousand euros (including a 52 thousand euro capital increase through the issuance of new shares and 982 thousand euros in additional paid-in capital).

Trading on the shares began on November 8, 2013.

The costs incurred in connection with the IPO were fully charged to additional paid-in capital in a total amount of 14,582 thousand euros. These costs, borne entirely by Numericable Group, were accounted for without tax effect.

Following the IPO, the Numericable Group's share capital amounted to 123,942 thousand euros, and additional paid-in capital to 2,108,037 thousand euros. See Note 22.1 for information on the constitution of the share capital of Numericable Group.

4.1.3 Granting of stock option plans

On November 7, 2013, the Board of Directors also adopted a stock option plan in favor of certain officers and employees of Numericable Group.

The plan covers a total of 2,845,229 options for 2,845,229 shares.

As of December 31, 2013, the fair value of options granted was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

See Note 25.2 for further details on this stock option plan.

4.1.4 Acquisition of Valvision

On 27 June 2013, the Group acquired 100% of the share capital of Valvision, a cable operator operating in eastern France.

4 Significant events (Continued)

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 amortized over a period of three years.

No additional payment is provided for under the acquisition agreement.

4.1.5 Acquisition of LTI Telecom

On October 31, 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 25,550 thousand euros for a share of equity acquired of 609 thousand euros. No additional payment is provided for under the acquisition agreement.

In view of the date of the acquisition, the allocation of the price to identifiable assets acquired and liabilities assumed had not been finalized as of December 31, 2013. The Company has until September 30, 2014 to finalize this process.

Therefore, the difference of 24,941 thousand euros between the acquisition price and the share of equity as reflected in the accounts of the acquired subgroup was recognized as goodwill as of December 31, 2013 (see Note 13).

4.1.6 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 Debt of Altice B2B.

This renegotiation of Senior Debt is a simple modification of existing debt. As such, the costs stemming from the renegotiation (6.2 million euros) have been measured at amortized 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 December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

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 cost of settling bonds (''Premium'') incurred by the Group were recognized in other financial expenses in the amount of 28.0 million euros;

4 Significant events (Continued)

- costs relating to the implementation of the extinguished debt in December 2013, which were originally recorded at amortized cost, has been recognized 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 recognized at amortized cost using the effective interest method in accordance with IAS 39.

Following the refinancing in 2013, the maturity of Senior Debt was as follows as of December 31, 2013 (nominal amounts):

Maturity	2014	2015	2016	2017	2018	2019	Total
in millions of euros	42.6	63.4	102.1	821.0	1,223.2	380.0	2,632.4

4.1.7 Recognition of deferred tax assets

In the year ended December 31, 2013, the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

In view of the large amount of unrecognized deficits remaining as of December 31, 2013 (see Note 12.4), all of the deferred tax income recognized in 2013 was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses recognized in other comprehensive income or capital increase expenses charged to additional paid-in capital.

4.1.8 In-depth inquiry of the European Commission into the transfer 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 to Numericable by several French municipalities between 2003 and 2006 was in line 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 December 31, 2013.

4.1.9 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.

4.1.10 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 December 19, 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 totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

4 Significant events (Continued)

4.1.11 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 (see Note 28.4).

4.1.12 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 French regulator (*Autorité de régulation des communications électroniques et des postes*—ARCEP) did not meet the principles of independence and impartiality required by the Constitution.

On October 21, 2013, the Group obtained the annulment by the Council of State of the penalty imposed by ARCEP on December 20, 2011, which condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with the ARCEP decision of November 4, 2010.

The Group recorded the proceeds relative to the annulment of the fine in the financial statements for the year ended December 31, 2013 under ''Other operating income'' (see Note 9).

4.1.13 Litigation with Free

On December 13, 2013, the Commercial Court of Paris condemned the Group to pay the sum of 6,411 thousand euros to Free as part of a dispute over an advertising campaign run by Numericable that Free claimed harmed its brand and its image (see Note 24.2 for details on the procedure). The Group appealed this decision.

The Group recognized a provision for the entire fine in the consolidated financial statements for the year ended December 31, 2013. The decision having been executed in early January 2014, the provision was classified under ''Current provisions'' in the consolidated statement of financial position as of December 31, 2013.

4.2 Year ended December 31, 2012

4.2.1 Bond issues

In 2012, the Group issued several bonds to refinance part of its existing financial debt.

In February 2012, the Group issued a 360 million euro bond. The issuer was Numericable Finance & Co. SCA, an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg. The proceeds of the notes were used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the ''C-One'' Facility Loan), whose sole lender was the bank itself under the Senior Facility Agreement, in favor of the Group, and which allowed it to reimburse certain facilities under the SFA in the amount of 350 million euros.

The notes mature on February 15, 2019 and bear interest at 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, the Group also obtained a new Revolving Credit Facility under the SFA. The maximum amount that can be drawn is 65 million euros (''Revolving Credit Facility''). It matures in March 2016. The amount used under this facility bears interest equal to Euribor plus 4.5%. The amount not used under this facility, which amounted to 65 million euros as of December 31, 2013, bears interest equal to a commitment fee of 2.25%.

According to the terms of the amendment of the September 2011 Senior Facility Agreement, maturities of certain lenders' commitments were extended by two years (comprising one-half of Tranche A and the Capex Facility and two-thirds of Tranches B & C). Along with the extension of the maturities, the

4 Significant events (Continued)

amendment changed the margin on the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Agreement became effective on February 15, 2012.

In October 2012, the Group issued another two bonds in amounts of 225 and 275 million euros respectively through the same issuer, Numericable Finance & Co. SCA. The proceeds of the notes were used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in two new loans, the ''C-Two A Facility Loan'' and the ''C-Two B facility Loan,'' whose sole lender was the Lending Bank itself under the Senior Facility Agreement, in favor of the Group, which allowed it to reimburse certain facilities under the SFA in the amount of 490 million euros.

The ''C-Two A facility'' amounts to 225 million euros. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interest is paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The ''C-Two B facility'' amounts to 275 million euros. It matures in October 2018 and bears a floating interest rate equal to three-month Euribor plus 7.85% per annum. Interest is paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

The Group paid 55 million euros in fees in connection with the implementation of these new facilities (C-One, C-Two A and C-Two B) and the amendments relative to the Senior Facility Agreement. This amount includes:

- bond issuance costs of 30.2 million euros, which are amortized over the length of the notes using the effective interest method;
- waiver fees of 17.4 million euros, which are recorded in ''Other financial expense'' in the consolidated statement of income for the period ended December 31, 2012;
- advisory fees of 7.4 million euros, which are recorded in ''Other operating expenses'' in the consolidated statement of income for the period ended December 31, 2012.

4.2.2 Purchase of the Nice network

In April 2012, the Group signed an agreement with the city of Nice for the purchase of the cable network of Nice for 20 million euros.

The purchase price repayment is scheduled as follows:

- 2.5 million euros in July 2012 and 2.5 million euros in January 2013;
- the remaining 15 million euros payable over 20 years (0.75 million euros each year from 2013 to 2032), with interest of 4%.

4.2.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 12.5 were extended to fiscal year 2010. Tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of the provision recognized in relation to these tax audits had not been adjusted, as management believes that the financial risk related to penalties for fiscal year 2010 will represent the same amount as the reductions notified by the administration concerning the penalties for fiscal years 2005 to 2009.

5 Segment information

As stated in Note 2.7, the Group has three operating segments:

- B2B Operations
- B2C Operations

5 Segment information (Continued)

– Wholesale Services

5.1 Statement of income

The following tables provide, for each period presented, the contribution of each segment to the statement of Income (from ''Revenue'' to ''Operating income before depreciation and amortization'').

Intra-segments sales have been eliminated under the column ''Eliminations.''

2013	B2C	B2B	Wholesale	Eliminations	2013 Total
		(in thousands of euros)			
Revenue	**869,448**	**312,640**	**200,794**	**(68,640)**	**1,314,242**
Purchases and subcontracting services	(415,127)	(180,195)	(84,333)	68,640	(611,016)
Staff costs and employee benefits expense	(87,144)	(60,504)	(6,982)	—	(154,631)
Taxes and duties	(20,469)	(8,073)	(5,355)	—	(33,896)
Provisions	(8,616)	(11,567)	(283)	—	(20,466)
Other operating income	65,499	20,763	59	—	86,321
Other operating expense	(18,588)	(1,878)	—	—	(20,466)
Operating income before depreciation and amortization (EBITDA)	**385,003**	**71,186**	**103,900**	**—**	**560,088**

2012	B2C	B2B	Wholesale	Eliminations	2012 Total
		(in thousands of euros)			
Revenue	**832,568**	**324,506**	**211,476**	**(66,125)**	**1,302,425**
Purchases and subcontracting services	(386,060)	(178,420)	(103,766)	66,125	(602,121)
Staff costs and employee benefits expense	(77,592)	(57,186)	(6,697)	—	(141,475)
Taxes and duties	(19,901)	(7,569)	(4,926)	—	(32,396)
Provisions	(4,516)	(1,323)	(380)	—	(6,219)
Other operating income	68,095	21,108	26	—	89,229
Other operating expense	(16,030)	(1,148)	—	—	(17,178)
Operating income before depreciation and amortization (EBITDA)	**396,564**	**99,968**	**95,733**	**—**	**592,265**

5.2 Goodwill

Goodwill breaks down by segment as follows as of December 31, 2013 and 2012:

Carrying amount	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2C	984,583	984,583
B2B	499,045	474,103
Wholesale	—	—
Total	**1,483,628**	**1,458,686**

5 Segment information (Continued)

5.3 Investments

Investments on property, plant and equipment and intangible assets (net of investment grants received) break down by segment as follows as of December 31, 2013:

	December 31, 2013
	(in thousands of euros)
B2C	165,473
B2B	73,904
Wholesale	80,452
Total	**319,829**

6 Revenue

Consolidated revenue breaks down by segment as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2B revenue	864,589	826,171
B2B revenue	309,646	323,201
Wholesale revenue	140,007	153,053
Total revenues	**1,314,242**	**1,302,425**

It is stipulated that all revenues are generated in France.

7 Purchases and subcontracting services

Purchases and subcontracting services break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
TV content, Internet and telephony costs	(315,318)	(332,853)
Outsourcing and purchased services	(98,082)	(90,752)
Advertising	(38,834)	(30,120)
Fees paid to other third parties	(35,991)	(31,936)
Royalties and license fees paid	(12,183)	(12,089)
Rights of way paid	(14,936)	(15,316)
Rental and leasehold charges	(27,023)	(25,790)
Energy	(25,846)	(23,938)
Bad debt expense	(8,000)	(9,173)
Postal expense	(4,389)	(4,378)
Transportation expense	(4,654)	(4,286)
Repair and maintenance expense	(11,830)	(11,911)
Miscellaneous operating expense	(13,930)	(9,579)
Purchases and subcontracting services	**(611,016)**	**(602,121)**

8 Personnel expenses

Personnel expenses break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Wages and salaries	(99,947)	(91,343)
Social security charges	(45,923)	(43,889)
Employee profit-sharing	(5,210)	(6,243)
Costs related to the stock option plan[(a)]	(3,551)	—
Staff costs and employee benefits expense	**(154,631)**	**(141,475)**

(a) Includes 2.9 million euros in respect of employer contributions due on the allocation of shares and 0.6 million euros for the cost of the plan recognized in 2013 (see Note 4.1.3).

As of December 31, 2013, the Group employed a total of 2,182 people (of which 2,077 permanent contracts), compared with 1,979 as of December 31, 2012 (of which 1,910 permanent contracts).

The following table breaks down the numbers of permanent contracts by occupational category as of December 31, 2013 and 2012:

Occupational category	December 31, 2013	December 31, 2012
Managers	1,096	1,015
Senior technicians and supervisors	356	322
Operators, employees and technicians (Non Managers)	625	573
Total	**2,077**	**1,910**

9 Other operating income

Other operating income breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Own work capitalized[(a)]	75,853	82,217
Proceeds from sale of assets	5,078	3,817
Other[(b)]	5,390	3,195
Other operating income	**86,321**	**89,229**

(a) Own work capitalized work on the network performed by employees of the Group with a view to upgrading the cable network.

(b) In 2013, this item included the repayment of the 5 million euro fine imposed by ARCEP in 2012. In 2012, this item mainly included various transfers of expenses in the amount of 2.7 million euros.

10 Other operating expense

Other operating expenses break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net carrying amount of assets sold	(14,741)	(7,382)
Fees paid in connection with refinancing	(4,619)	(7,372)
Management fees paid to shareholders[(a)]	(1,106)	(2,424)
Miscellaneous operating expenses	—	—
Other operating expense	**(20,466)**	**(17,178)**

(a) Until the date of IPO, after which the agreements were terminated.

11 Finance costs, net

Net finance costs broke down as follows as of December 31, 2013 and 2012:

	Note	December 31, 2013	December 31, 2012
		(in thousands of euros)	
Interest income received on cash and cash equivalents		111	106
Other financial income	11.1	9,593	4,220
Financial income		**9,704**	**4,326**
Change in fair value of interest rate derivatives		—	—
Interest expense on financing determined using the effective interest method		(184,839)	(183,057)
Interest relative to gross financial debt		**(184,839)**	**(183,057)**
Other financial expense	11.2	(148,513)	(32,699)
Finance costs, net		**(323,648)**	**(211,430)**

11.1 Other financial income

As of December 31, 2013, other interest income broke down primarily as follows:

– Payments received within the framework of the compensation sought after the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4) in the amount of 7.1 million euros (compared with 2.8 million euros in 2012);

– Reversals of provisions for financial risks and charges in the amount of 1.9 million euros.

11.2 Other interest expense

As of December 31, 2013, other interest expense broke down primarily as follows:

– the cost of settling bonds (''Premium'') incurred by the Group in the amount of 28 million euros through the reimbursement of the Senior Facilty Agreement as explained in Note 4.1.6 above;

– the costs incurred with respect to the settlement of SuperPecs in the amount of 81 million (without impact on the Group's cash position as this debt was extinguished through the issuance of shares in the context of the IPO as explained in Note 4.1.1 above);

– the unamortized portion of costs related to the debt settled in December 2013 (initially measured at amortized cost) in the amount of 15.2 million euros;

11 Finance costs, net (Continued)

- the amortization of fees paid for the establishment of funding still in place at end-2013 in the amount of 8.3 million euros;
- penalties for late customer deployments in the amount of 4 million euros.

As of December 31, 2012, other interest expense broke down primarily as follows:

- early repayment of penalties paid in connection with debt refinancing in the amount of 17.4 million euros;
- amortization of fees paid for the establishment of funding in the amount of 6.2 million euros valued using the effective interest method;
- default interest in the amount of 5.6 million euros.

12 Income tax

12.1 Income tax expense

Income tax expense breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Current tax expense/income	130	(2,486)
Deferred tax expense/income	132,662	—
Tax expense (income)	**132,792**	**(2,486)**

12.2 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net income (loss) before tax	(68,086)	88,912
Less: Share of net income (loss) of associates	484	199
	67,602	89,111
Corporate tax rate in France	38%	34.43%
Income tax expense calculated at 38%	**25,689**	**(30,681)**
Reconciliation of income tax expense		
Deferred tax assets	132,662	—
Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit[1]	(26,231)	(13,315)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	—	41,083
Tax credits	673	420
Effect of other differences	—	8
Income tax expense recognized in profit or loss	**132,792**	**(2,486)**
Effective tax rate[2]	(196.43)%	2.79%

(1) Consists primarily of interest expense not deductible under thin capitalization rules (15.2 million euros as of December 31, 2013, compared with 9.9 million euros as of December 31, 2012).

(2) The effective tax rate in 2013 was negative taking into account deferred tax assets during the year.

12 Income tax (Continued)

In view of the large amount of unrecognized tax losses remaining as of December 31, 2013 (see Note 12.4), the deferred tax income recognized in 2013 in respect of tax loss carryforwards whose future use is considered probable within the five-year forecast period was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses, which are recognized in other comprehensive income, or capital increase expenses, which are charged to additional paid-in capital.

12.3 Current tax assets and liabilities

Current tax assets as of December 31, 2013 amounted to 3.4 million euros, corresponding to installments of income tax and competitiveness and employment tax credits (CICE), for which the Group must request reimbursement.

The income tax payable is classified in ''Current tax liabilities,'' and amounts to 71 thousand euros and 2,604 thousand euros as of December 31, 2013 and 2012 respectively.

12.4 Unrecognized deferred tax assets

Aggregate unused tax loss carryforwards amounted to 2,316 million euros as of December 31, 2013, representing a theoretical tax asset of 876 million euros. A deferred tax asset of 132.7 million euros was recognized as of December 31, 2013.

Total net tax loss carryforwards break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Ypso France and its subsidiaries[(1)]	1,857,400	1,852,028
Altice B2B France and its subsidiaries	413,401	402,544
Ypso Holding Lux	45,561	256,173
Total tax loss carryforwards	**2,316,362**	**2,510,745**
Deferred tax assets calculated at the standard rate	**876,217**	**851,103**
Of which deferred tax assets recognized	*132,662*	—
Of which deferred tax assets not recognized	*743,555*	*851,103*

(1) Including tax losses contested by the tax authorities (56 million euros as of December 31, 2013).

12.5 Tax audits

Certain subsidiaries of the Group, Ypso France, NC Numericable (including Numericable and Est Videocommunication, merged in 2013) were subject to a tax audit by the French tax authorities for the fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency provision in the amount of 24,9 million euros was recognized as of December 31, 2013 (compared with 25.1 million euros as of December 31, 2012) to cover the risk represented by this audit.

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 December 19, 2013. The adjustments focus exclusively on the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

The total tax contingency provision was 36.3 million euros as of December 31, 2013, compared with 25.1 million euros as of December 31, 2012.

13 Goodwill

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net carrying amount		
Balance at beginning of year	1,458,686	1,458,638
Additional goodwill recognized during the period[(1)]	24,942	48
Balance at end of year[(2)]	**1,483,628**	**1,458,686**

(1) The additional goodwill of 24.9 million euros recognized as of December 31, 2013 was attributable to the acquisition of LTI Telecom (described in Note 4.1.5). The allocation of the acquisition price is provisional, and will be finalized within 12 months of the date of acquisition. The goodwill was allocated to the B2B Operations CGU.

(2) Goodwill breaks down as follows:

Carrying amount	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2C Operations	984,583	984,583
B2B Operations	499,045	474,103
Total	**1,483,628**	**1,458,686**

14 Other intangible assets

	Capitalized development costs	Rights of use, patents and licenses[(a)]	Commercial rights	Other intangible assets[(b)]	Total
		(in thousands of euros)			
Gross amount					
Balance as of January 1, 2013	5,848	720,735	42,030	39,847	**808,462**
Capital expenditure and additions	1,271	62,776	757	4,084	68,888
Reclassification	—	—	—	—	—
Business combinations	—	786	996	3,154	4,936
Balance as of December 31, 2013	7,119	784,297	43,783	47,085	**882,284**
Cumulative amortization and impairment					
Balance as of January 1, 2013	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Amortization expense	(1,571)	(82,897)	(1,257)	(5,433)	(91,158)
Reclassification	—	—	—	—	—
Business combinations		(464)	(993)	(31)	(1,488)
Balance as of December 31, 2013	(4,813)	(496,834)	(36,940)	(36,335)	**(574,922)**
Net carrying amount					
Balance as of January 1, 2013	2,606	307,262	7,340	8,976	**326,187**
Balance as of December 31, 2013	2,306	287,463	6,843	10,750	**307,362**

14 Other intangible assets (Continued)

	Capitalized development costs	Rights of use, patents and licenses[(a)]	Commercial rights	Other intangible assets[(b)]	Total
	(in thousands of euros)				
Gross amount					
Balance as of January 1, 2012	5,384	649,724	35,949	39,392	**730,449**
Capital expenditure and additions	464	53,749	2,219	4,384	60,817
Reclassification	—	66	3,862	(3,929)	—
IFRIC 12*	—	17,195	—	—	17,195
Balance as of December 31, 2012	5,848	720,735	42,030	39,847	**808,462**
Cumulative amortization and impairment					
Balance as of January 1, 2012	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Amortization expense	(1,199)	(78,726)	—	(6,190)	(86,115)
Reclassification	—	(12,299)	—	541	(11,758)
IFRIC 12*	—	(9)	—	—	(9)
Balance as of December 31, 2012	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Net carrying amount					
Balance as of January 1, 2012	3,341	327,285	1,259	14,170	**346,056**
Balance as of December 31, 2012	2,606	307,262	7,340	8,976	**326,187**

(a) Rights of use represent the majority of ''rights of use, patents and licenses.'' They reflect the rights to use civil engineering installations and infrastructure built by the incumbent operator, France Telecom, as well as investments made through the DSP.

(b) Other intangible assets primarily include customer lists (including the customers of Valvision, acquired in 2013, see Note 4.1.4) and capitalized production within the framework of IT projects relating to the network.

* As explained in note 2.11, the Group applied IFRIC 12 with respect to the contract entered into in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92).

The application of this principle had the following impacts on the 2012 consolidated statement of financial position:

– Recognition of the net carrying amount of 17.2 million euros classified in ''Other intangible assets'' (26.6 million euros of investments less 9.5 million euros of grants received as of December 31, 2011);

– Recognition of 26.4 million euros of capital expenditure in 2012 in ''Rights of use, patents and licenses'' (38.0 million euros of investments less 11.5 million euros of grants received in 2012).

In addition, 26.4 million euros of capital expenditure in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92). This amount is classified in investing activities in the consolidated statement of cash flows.

As of December 31, 2013, the total amount of investments (net of subsidies) made under DSP 92 and classified as intangible assets amounted to 71.8 million euros.

15 Property, plant and equipment

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross amount						
Balance as of January 1, 2013	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Capital expenditure and additions	—	2,118	194,501	95,834	6,547	299,000
Disposals	(1)	(195)	(55,522)		(2,967)	(58,685)
Reclassification	—	(211)	68,204	(67,994)	1	—
Business combinations	—	—	18,740	—	792	19,532
Balance as of December 31, 2013	1,321	143,888	2,827,877	108,862	109,648	**3,191,596**
Cumulative depreciation and impairment						
Balance as of January 1, 2013	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Depreciation expense	—	(4,250)	(197,668)	—	(7,209)	(209,127)
Impairment losses	—	—	—	(3,698)	—	(3,698)
Disposals	—	26	40,073	—	2,953	43,052
Reclassification	—	214	(142)	(73)	1	—
Business combinations	—	—	(14,830)	—	(413)	(15,243)
Balance as of December 31, 2013	(2)	(117,509)	(1,504,319)	(8,459)	(96,544)	**(1,726,833)**
Net carrying amount						
Balance as of January 1, 2013	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**
Balance as of December 31, 2013	1,319	26,379	1,323,558	100,403	13,104	**1,464,763**

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross amount						
Balance as of January 1, 2012	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Capital expenditure and additions	1	4,083	244,244	2,470	8,934	259,732
Business combinations	—	—	—	—	—	—
Disposals	—	(1,496)	(31,058)	—	(625)	(33,179)
Reclassification	—	69,435	(62,919)	(4,087)	(2,522)	(93)
IFRIC 12	—	—	(8,095)	(9,100)	—	(17,195)
Balance as of December 31, 2012	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Cumulative depreciation and impairment						
Balance as of January 1, 2012	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Depreciation expense	(2)	(5,194)	(191,812)	—	(5,247)	(202,255)
Impairment losses	—	—	—	(3,355)	—	(3,355)
Disposals	—	1,295	24,028	—	618	25,941
Reclassification	—	(68,394)	77,622	—	2,535	11,763
IFRIC 12	—	—	9	—	—	9
Balance as of December 31, 2012	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Net carrying amount						
Balance as of January 1, 2012	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**
Balance as of December 31, 2012	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**

15 Property, plant and equipment (Continued)

The carrying amount of assets classified as finance leases breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Land	1,029	1,029
Buildings	6,558	6,868
Network and technical equipment	53,048	31,632
Other	79	160
	60,714	**39,689**

16 Impairment testing

16.1 Allocation of goodwill between cash-generating units (“CGU”)

In accordance with IAS 36 *Impairment of Assets* (‘‘**IAS 36**’’), goodwill has been allocated to two CGUs: ‘‘B2C Operations’’ (mainly NC Numericable) and ‘‘B2B Operations’’ (mainly Completel SAS and LTI Telecom).

16.2 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, revenue, 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 weighted average cost of capital 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.

No impairment was recognized for either of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2013 and 2012:

CGU “B2C Operations”	2013	2012
Length of forecast period	5 years	8 years
Discount rate applied to cash flow projections	7.30%	7.56%
Perpetual growth rate used to calculate terminal value	2.00%	1.75%

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 143 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 116 million euros.

16 Impairment testing (Continued)

As of December 31, 2013, 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 WACC from 7.30% to 8.73%;
- Reduction in the perpetual growth rate from 2.00% to 0.12%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 50.7% to an average of 46.0% over the five-year period.

CGU "B2B Operations"	2013	2012
Length of forecast period	5 years	6 years
Discount rate applied to cash flow projections	7.14%	9.42%
Growth rate beyond projection period for terminal value	2.00%	1.00%

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 74 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 56 million euros.

As of December 31, 2013, 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 WACC from 7.14% to 10.62%;
- Reduction in the perpetual growth rate from 2.00% to-3.70%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 38.3% to an average of 32.1% over the five-year period.

17 Investments in associates

The Group exercises significant influence over Alsace Connexia Participation, an associate consolidated under the equity method. Alsace Connexia Participation's initial shareholding structure was as follows: 38.14% held by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the interest held by Sogetrel Réseaux, giving it a controlling interest (61.86%) in Alsace Connexia Participation.

Alsace Connexia Participation owns a 70% stake in Alsace Connexia, which has been granted a public service concession by the regional authority of Alsace to design, build, fund, operate and market telecommunications infrastructure in the region over a 15-year period. The concession contract took effect on February 3, 2005.

The following tables provide information on the net assets and operating results of Alsace Connexia Participation:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net assets[(1)]	7,614	8,888
Share of net assets	2,893	3,378

17 Investments in associates (Continued)

	2013	2012
	(in thousands of euros)	
Revenues (Alsace Connexia)	14,463	13,050
Net income (loss)	(1,274)	(524)
Share of net income (loss)	(484)	(199)

(1) No goodwill is recognized in net assets.

18 Other current and non-current financial assets

	Current		Non-current	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(in thousands of euros)			
Derivative instruments[(1)]	—	—	—	5
Investments in entities that are not consolidated[(2)]	—	—	35	35
Other financial assets[(3)]	4,020	4,034	7,228	6,791
Total financial assets	**4,020**	**4,034**	**7,263**	**6,831**

(1) As indicated in Note 28.4, the Group held until the end of 2012 interest rate cap contracts that allowed it to limit its exposure to interest rates, but these instruments were not considered as hedging instruments within the meaning of IAS 39. Consequently, changes in the fair value of these derivative instruments were recognized immediately in the statement of income under financial income (expense), the instruments in question being directly related to the implementation of the management of the Group's interest rate risk, even though they do not qualify for hedge accounting under IAS 39.

These interest-rate derivatives are presented as non-current financial assets because they are not held for trading purposes, but under a non-qualifying hedge accounting relationship.

(2) Investments in entities that are not consolidated and are classified as available-for-sale financial assets include Câble Toulousain de Vidéocommunication, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the scope of consolidation due to the Group's lack of control or influence over them.

(3) As of December 31, 2013 and 2012 other financial assets include 4 million euros of cash pledged within the framework of DSP 92 (classified as current, see also Note 2.11). Remaining amounts correspond to deposits made by the Group for building leases.

19 Inventories

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Gross amount	50,858	46,808
Impairment losses	(1,290)	(1,199)
Net carrying amount	**49,568**	**45,609**

Inventories are primarily comprised of set-top boxes used by customers to receive programming distributed via digital channels. The amount of impairment recognized to bring inventories down to their recoverable amount was not material in fiscal 2013 or 2012.

20 Trade receivables and other receivables

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Trade receivables	309,998	272,864
Impairment losses	(33,371)	(27,167)
Trade receivables, net	**276,627**	**245,697**
Advances and down payments	2,181	2,211
Tax and social security receivables	84,826	141,806
Prepaid expenses	32,256	18,025
Other receivables	6,998	9,632
Trade receivables and other receivables, net	**402,888**	**417,371**

Trade receivables disclosed above are measured at amortized cost. Due to their short-term maturity, fair value and amortized cost are a proxy for the nominal amount of trade receivables.

Trade receivables are primarily from B2C customers, a large number of customers spread across diverse geographical areas.

B2C Customers

The average credit term for residential customers is five days. No interest is charged on outstanding balances. As of December 31, 2013, excluding some specific cases, the Group had depreciated 81% of B2C customer receivables that were over 90 days past due, based on historical experience implying that 19% of receivables over 90 days past due are recoverable. Provisions on residential customer receivables due between 0 and 90 days are also depreciated on a case-by-case basis, based on historic collection data and analysis of the customer's financial situation.

B2B Customers

As of December 31, 2013, the Group had depreciated 60% of the B2B customer receivables that were over 90 days past due, based on historical experience implying that 40% of receivables over 90 days past due are recoverable.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognized a provision for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements against these balances, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due receivables

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Not due	92,610	121,232
0-90 days	67,888	62,825
> 90 days	149,508	88,808
Total	**309,998**	**272,864**

The concentration of credit risk is limited due to the customer base being large and unrelated. No customer represents more than 5% of the total balance of trade receivables.

20 Trade receivables and other receivables (Continued)

Change in impairment losses for trade receivables is as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Balance at beginning of year	**(27,167)**	**(26,770)**
Impairment during the year	(12,961)	(9,322)
Losses on irrecoverable receivables	8,000	8,925
Reversal of impairment losses	—	—
Receivables classified as held for sale	—	—
Business combinations	(1,243)	—
Balance at end of year	**(33,371)**	**(27,167)**

21 Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the consolidated statement of cash flows and cash and cash equivalents presented in the consolidated statement of financial position is presented below:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Cash	101,365	7,996
Cash equivalents	—	—
Cash and cash equivalents presented in the consolidated statement of financial position	**101,365**	**7,996**
Cash from discontinued operations	—	—
Bank overdrafts classified as financial liabilities in the consolidated statement of financial position	—	—
Cash and cash equivalents presented in the consolidated statement of cash flows	**101,365**	**7,996**

As of December 31, 2013 and 2012, the Group had no cash equivalents.

22 Equity

As of December 31, 2013, Numericable Group's share capital, based on the number of shares issued at that date, amounted to 123,942,012 euros, comprising 123,942,012 ordinary shares with a par value of 1 euro each.

22.1 Change in share capital

The share capital broke as follows as of December 31, 2013:

Date	Transaction	Shares issued
August 2013	Constitution through cash contributions	37,000
November 2013	In-kind contributions from shareholders	113,772,229
November 2013	Capital increase by public offering	10,080,645
November 2013	Capital increase reserved for employees	52,138
Total as of December 31, 2013		**123,942,012**

22 Equity (Continued)

22.2 Treasury shares

The Group did not implement a share buyback program in 2013 or 2012.

Accordingly, it did not hold any treasury shares as of December 31, 2013 or December 31, 2012.

22.3 Earnings per share

	2013	2012
	(in thousands of euros)	
Net income used for calculating basic earnings per share	**64,550**	**86,377**
Impact of dilutive instruments:		
Stock option plans[2]	—	—
Net income used for calculating diluted earnings per share	**64,550**	**86,377**

The following table shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	December 31, 2013	December 31, 2012
	(number of shares)	
Weighted average number of ordinary shares outstanding[1]	**115,271,326**	**113,772,229**
Impact of dilutive instruments:		
Stock option plans[2]	—	—
Weighted average number of shares outstanding—diluted	**115,271,326**	**113,772,229**

(1) The weighted average number of ordinary shares used in calculating earnings per share corresponds, until the date of the IPO, to the number of shares issued in exchange for contributions (see Note 22.1 ''Change in share capital''). Shares issued as part of the public offering and capital increase reserved for employees were prorated.

(2) Stock options granted in 2013 (2,845,229 options) are non-dilutive in view of the average share price between the grant date and the balance sheet date, and the valuation of the plan.

22.4 Dividends

The Group did not pay dividends to its shareholders in 2013 or 2012.

23 Financial liabilities

Financial liabilities break down as follows:

		Current		Non-current		Total	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
				(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	23.1	42,575	93,187	2,589,784	2,707,498	2,632,359	2,800,685
Perpetual subordinated notes	23.2	—	—	37,695	35,208	37,695	35,208
Financial liabilities under finance leases	30.2	20,578	19,432	20,915	7,886	41,493	27,318
Other financial liabilities	23.4	1,096	2,113	1,568	131,234	2,664	133,347
Total loans and financial liabilities		**64,249**	**114,732**	**2,649,962**	**2,881,826**	**2,714,211**	**2,996,558**
Derivative instruments		—	—	—	—	—	—
Deposits received from customers	23.3	—	—	51,932	44,517	51,932	44,517
Bank overdrafts		—	—	—	—	—	—
Total financial liabilities		**64,249**	**114,732**	**2,701,894**	**2,926,343**	**2,766,143**	**3,041,075**

23.1 Financial liabilities under Senior Facility Agreements

Senior Facility agreement granted to Ypso

The Group entered into a Senior Facility Agreement (''**SFA**'') dated June 6, 2006 (as amended March 2, 2007, December 9, 2009, September 8, 2011, July 31, 2013 and November 22, 2013) with BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch, and Morgan Stanley Bank International Limited as the Mandated Lead Arrangers, BNP Paribas as Agent and Security Agent, and others lenders. In addition, certain subsidiaries of the Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors within the SFA.

The SFA contains financial covenants that may affect the interest rates to be paid by the Group as well as the applicable margins on the SFA (see details below).

In 2012, the Group issued three bonds to refinance a portion of its current Senior Debt under the SFA. The issuer was Numericable Finance & Co. SCA, a Luxembourg company. The proceeds from the bonds were used by Numericable Finance & Co. to fund three new loans issued if favor of the Group by the Lending Bank (JP Morgan) under the Senior Facility Agreement:

- a C-One facility of 360 million euros;
- a C-Two A facility of 225 million euros;
- a C-Two B facility of 275 million euros.

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 December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

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 debts, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;

23 Financial liabilities (Continued)

- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the bond issue of 225 million euros (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros)—the balance of this bond amounted to 146.3 million euros as of December 31, 2013;
- part of the bond issue of 360 million euros (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros)—the balance of this bond amounted to 234.1 million euros as of December 31, 2013.

The table below summarizes the various tranches in place under the Senior Debt contract as of end-December 2013, their maturity, the applicable margin and the outstanding amount of the debt as of December 31, 2013:

Facility	Maturity	Margin/ Coupon(1)	Nominal (December) 2013(2)
A2 and capex 2	June 2015	E + 3.875%	51.9
B1	June 2014	E + 3.50%	11.2
B2	June 2016	E + 4.75%	106.5
B3	December 2017	E + 4.75%	672.1
C1	December 2015	E + 4.00%	36.0
C2	December 2017	E + 5.25%	42.3
C3	December 2017	E + 4.75%	110.9
C4	December 2018	E + 5.00%	426.8
D	December 2018	E + 3.75%	800.0
C-One (Bond)	February 2019	12.375%	234.1
C-Two A (Bond)	February 2019	8.750%	146.3

(1) Euribor (''E'') + margin applicable to the facility;

(2) Nominal amount expressed in millions of euros as of December 31, 2013, excluding accrued interest and the impact of the effective interest rate.

Guarantees and Security

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several basis by each guarantor (Ypso France SAS and its subsidiaries) under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge on the shares of Ypso France SAS and its subsidiaries.

Covenants

The availability of the senior facilities mentioned in Note 23.1 is not dependent upon the Group's credit ratings, but is conditioned on its compliance with financial covenants related to the capacity of the Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of the Group to, among other things:

- amalgamate, merge or consolidate with any other company or be the subject of any reconstruction or materially change the nature of the business of the Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or agree to do so;
- enter into a material transaction that is not on an arm's length basis and for full market value;

23 Financial liabilities (Continued)

- make acquisitions or investments;
- open or maintain an account with a bank or other financial institution providing like services other than a bank or credit institution entitled to engage in banking transactions in France, Belgium or Luxembourg;
- allot or issue shares or securities;
- change the end of its fiscal year.

The Senior Facility Agreement also requires the Group to comply with the following financial covenants:

- a maximum ratio of consolidated total net borrowings to annualized EBITDA;
- a minimum ratio of consolidated cash flows to consolidated total interest expense;
- a minimum ratio of annualized EBITDA to consolidated total net cash interest payable; and
- a maximum level of capital expenditures per fiscal year.

Compliance is tested quarterly and audited annually as of December 31 when the consolidated financial statements of Ypso France prepared in accordance with French GAAP are released. Since the SFA was established, the Group has complied every year with the financial covenants set out in the agreement.

As agreed under the SFA, the covenants are calculated on the basis of financial aggregates determined from the consolidated accounts drawn up by Ypso France in accordance with French GAAP and not IFRS. Accordingly, the EBITDA used to calculate the covenant is different from that presented in the Group's consolidated statement of income.

23.2 Perpetual subordinated notes ("TSDI")

In 2006, 23.65 million euros of perpetual subordinated notes (''*Titres Subordonnés à Durée Indéterminée*''—''**TSDI**'') were issued by a subsidiary of the Group, NC Numericable, to a single subscriber, GDF Suez (Vilorex) (excluding capitalized interest). The proceeds of this borrowing were to be used to finance the construction of connectors in towns in the southern part of the SIPPEREC (''*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*''), a group of cities located in the Paris metropolitan area. The perpetual subordinated notes bear interest at a rate of 7% per annum. Interest on the notes is capitalized. Interest amortization is conditional. The total accrued interest payable on the notes amounted to 14 million euros and 11.6 million euros as of December 31, 2013 and 2012 respectively, and is classified as non-current in the table above in Note 23.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Group to reimburse the notes. Pursuant to this contract, the payment of interest and the reimbursement of the debt are contingent upon the level of cash inflows generated; however, the Group does not have an unconditional right to avoid delivering cash. As a consequence, the instrument is recognized as a financial liability at amortized cost in accordance with IAS 32.

23.3 Deposits received from customers

Deposits received from customers amounted to 51.9 million euros and 44.5 million euros as of December 31, 2013 and 2012 respectively. Deposits are made when customers receive equipment from the Company, and are reimbursed when customers terminate their subscriptions if the customers have paid all outstanding invoices and have returned the equipment.

23 Financial liabilities (Continued)

23.4 Other financial liabilities

As of December 31, 2013, other financial liabilities included various bank borrowings by Numericable against several banks (mainly *Caisse d'Epargne d'Alsace-Lorraine*) in the amount of 1,648 thousand euros and by Completel against various banks in the amount of 609 thousand euros.

As of December 31, 2012, other financial liabilities also included the debt of Ypso Holding Lux SARL against shareholders in the amount of 128,962 thousand euros, which was settled in 2013 as part of contributions to Numericable Group.

24 Provisions and contingent liabilities

The breakdown and change in provisions for the years ended December 31, 2013 and 2012 are as follows:

	January 1, 2013	Change in scope	Increase	Utilization	Reversal	Reclassification	December 31, 2013
				(in thousands of euros)			
Provisions for retirement benefits	8,455	157	1,556	—	—	—	10,168
Provisions for litigation with employees	4,068	40	1,309	(1,409)	(29)	—	3,979
Provisions for commercial litigation	18,043	—	6,646	(5,245)	(2,071)	—	17,373
Provisions for tax contingencies	25,096	38	18,250	(7,087)	—	—	36,297
Other[(1)]	10,720	76	1,876	(96)	(349)	—	12,227
Total	66,382	311	29,637	(13,837)	(2,449)	—	80,044
Current portion	2,409	—	6,161	(2,409)	—	250	6,411
Non-current portion	63,973	311	23,476	(11,428)	(2,449)	(250)	73,633

(1) Mainly provisions for risks relating to the cost of customers failing to return equipment.

	January 1, 2012	Increase	Utilization	Reversal	Reclassification	December 31, 2012
			(in thousands of euros)			
Provisions for retirement benefits	6,101	2,357	—	(3)	—	8,455
Provisions for litigation with employees	3,604	1,183	(719)	—	—	4,068
Provisions for commercial litigation	21,935	6,252	(8,829)	(1,315)	—	18,043
Provisions for tax contingencies	26,977	212	(2,093)	—	—	25,096
Other	13,227	1,395	(3,902)	—	—	10,720
Total	71,845	11,399	(15,543)	(1,318)	—	66,382
Current portion	8,998	—	(8,998)	—	2,409	2,409
Non-current portion	62,847	11,399	(6,545)	(1,318)	(2,409)	63,973

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

24 Provisions and contingent liabilities (Continued)

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 Company or the Group.

24.1 Tax audits

The French tax authorities have conducted audits of various companies of the Group since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the Group allocates a price reduction compared with the price the Group would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the Group had deemed the price reduction to apply primarily to the television portion of its packages.

The French tax authorities assert that these price reductions should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Group has formally challenged the tax assessments for the fiscal years from 2006 to 2009. The Group also referred the matter to the Ministry of Finance in December 2011 and sought a comprehensive settlement of the adjustments made by the tax administration in respect of the various Group companies for the period 2006-2009. Following this request, the tax administration lowered the amounts of adjustments for 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on composite VAT, which was in force from 2008 to 2010. The new amounts of adjustments, totaling 17.1 million euros (excluding penalties of 40%) for the period 2006-2009, were communicated to the Group end of August 2012.

Furthermore, in 2012, the tax authorities also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, in a total amount of 6.1 million euros (excluding penalties of 40%). The Group replied on August 21, 2013, challenging the proposed adjustments. The tax administration sent replies to the Group's observations in late October 2013, pursuant to which it maintains its adjustments. To date, the 2011 and subsequent years have not been subject to VAT audits on the Numericable scope. The tax administration has also demanded payment for the 2006 adjustment on NC Numericable (approximately 2 million euros of the 17.1 million euros mentioned above for the 2006-2009 period). The Group asked for a payment deferral and filed a complaint in September 2012, which was rejected by the tax administration on June 27, 2013. The Group filed an additional request on August 20, 2013.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

As of December 31, 2012, a tax contingency provision of 24.9 million euros (compared with 25.1 million euros as of December 31, 2012) was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to 7.1 million euros) related to the adjustments notified for fiscal years 2006

24 Provisions and contingent liabilities (Continued)

to 2010 (i.e. 23.5 million euros). The Group replied on August 21, 2013, challenging the proposed adjustments.

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 on December 19, 2013 of proposed adjustments. The adjustments focus on the challenge of charges for services provided to the companies in 2009, 2010 and 2011. A tax contingency provision covering all adjustments considered (income tax, VAT, withholding tax, penalties, surcharges and default interest) in the amount of 11.4 million euros was recorded as of December 31, 2013. In addition, the proposed adjustment results in a reduction of tax loss carryforwards in the amount of 28.5 million euros. The Group challenged all adjustments on February 17, 2014.

As of December 31, 2013, a tax contingency provision of 36.3 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which represents 7.1 million euros) related to the adjustments notified for fiscal years 2006-2010 (i.e. 24.9 million euros) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (11.4 million euros).

24.2 Commercial disputes

24.2.1 In-depth inquiry of the European Commission into the transfer 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 State 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 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 in favor of Numericable confers a benefit of this type and, as such, 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 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 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.

24.2.2 Litigation with Orange relating to IRUs

The Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 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 over such civil engineering installations. 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 July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such 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

24 Provisions and contingent liabilities (Continued)

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 favor 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, for the most part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its November 4, 2010 decision. Consequently, 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 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 December 20, 2011 for noncompliance with ARCEP's November 4, 2010 decision. The fine was paid in full during fiscal 2012. Numericable filed an appeal against the decision before the Council of State. Within the framework of this appeal, Numericable having raised a question of Constitutional law, referred to the Constitutional Court, on the compliance with the Constitution of Article L. 36-11 of the CPCE, which sets out ARCEP's powers. On July 5, 2013, the Constitutional Court found in Numericable's favor and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE, on the basis of which ARCEP's December 20, 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 December 20, 2011 decision. On October 21, 2013, the Council of State annulled the penalty imposed by ARCEP on December 20, 2011, which had condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with ARCEP's November 4, 2010 ruling.

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of 2.7 billion euros 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 published by Orange on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image, and claims damages of 50 million euros. The Commercial Court of Paris is expected to hear this case during the second quarter of 2014.

24.2.3 Litigation with Free relating to an advertising campaign

A claim was filed against NC Numéricable before the Commercial Court of Paris by telecommunication operator Free on August 3, 2011 in relation to the launch of the mobile offer by the Group in spring 2011 through an advertising campaign entitled ''*La révolution du mobile continue*.''

Free, which used the term ''revolution'' to refer to its launch of mobile phone services and whose latest offering was named the ''Freebox Revolution,'' argues that Numericable's campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of 10.0 million euros. After the hearing, the Court asked for an opinion from the French competition authority (''*Direction générale de la concurrence, de la consommation et de la répression des fraudes*''—DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of 6,391,000 euros. NC Numericable appealed this decision. As the decision is enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

24 Provisions and contingent liabilities (Continued)

24.2.4 Litigation with several editors of value-added services (AVS)

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay 350,000 euros in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of 12 million euros in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately 400,000 euros, mainly representing sums collected for these companies.

24.2.5 Dispute with the Ligue de Football Professionnel

In a submission to the Commercial Court of Nanterre dated April 26 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. A hearing on the matter is expected in 2014.

24.2.6 Action by Colt, Free and Orange before the General Court of the European Union concerning the DSP 92 project

Colt, Free, and Orange, in three separate proceedings against the European Commission, filed a request with the General Court of the European Union for the cancellation of the final decision of the European Commission dated September 30, 2009 (Decision No. C (2009) 7426), which held that the compensation of 59 million euros granted within the framework of the public service concession for the establishment and operation of a high-capacity 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 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.

24.2.7 Complaint of Bouygues Telecom

In late October 2013, the Group received a claim from Bouygues Telecom on the ''white label'' contract concluded between the two companies 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 broadband offers. In its letter, Bouygues Télécom claimed damages totaling 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 execution 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

24 Provisions and contingent liabilities (Continued)

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. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013. The contract, which runs until 2019, generated 37.3 million euros in revenues in 2012, 49.6% of total white label B2C revenues of 75.3 million euros and 2.8% of the Group's total revenues.

24.2.8 Investigation of DSP 92 by the Regional Auditor of Ile-de-France

In mid-November 2013, a number of press articles reported that the Regional Auditor of Ile-de-France had opened an investigation into the management of the department of Hauts-de-Seine between 2004 and 2007. The articles reported that the investigation would focus primarily on the DSP 92 project awarded to Numericable, and in particular the granting of 59 million euros in consideration for public service costs for the establishment and operating of a high-capacity electronic communications network in Hauts de Seine. The Group has no information as to the object or the timing of the investigation, and as such to its exact nature or its potential impact on the Group. However, the Group notes, as indicated above, that DSP 92 has been validated by French administrative courts, by the European Commission and by the General Court of the European Union, before which action against the DSP 92 contract has successively been brought, and that the Court of Auditors has no power to act against a non-governmental entity.

24.2.9 Litigation with employees

The Group is involved in litigation with a certain number of employees, a large part of which is due to the last merger period in 2006-2007, involving UPC-Noos, which gave rise to adjustments and harmonization in practices leading to disputes until 2009. The overall risk for this litigation is approximately 4 million euros. Most of this litigation consists of the challenge by an employee of the grounds for or the form of his or her dismissal.

25 Employee benefits

25.1 Provisions for retirement benefits

In France, the employees of the Group benefit from a general pension plan. Accordingly, the Group contributes to mandatory social security plans. This regime is considered to be a defined-contribution plan within the meaning of IAS 19. The employees of the Group are covered by the Telecom Industry Collective Bargaining Agreement (''*Convention Collective Nationale des Télécommunications*,'' which determines the amount of the pension due to the employee upon retirement).

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.

25 Employee benefits (Continued)

25.1.1 Assumptions used for defined-benefit plans

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Discount rate	3.0%	3.0%
Expected salary increase rate	3.0%	3.0%
Inflation rate	2.0%	2.0%
Turnover—managers (mean)	9.0%	7.0%
Turnover—other employees (mean)	18.0%	15.0%

The turnover rate can vary significantly depending on length of service.

25.1.2 Components of Net Periodic Benefit (Cost)

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Service cost	881	713
Interest cost	253	287
Expected return on plan assets	—	—
Recognition of actuarial net (gain) loss	458	1,496
Past service cost	—	—
Amounts recognized due to plan combinations	157	—
Curtailments/Settlements	(36)	(57)
Expense in respect of post-employment benefits	**1,714**	**2,439**
Including losses (gains) recognized in other comprehensive income	458	1,496
Percentage of present value of plan liabilities	4.5%	17.7%

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

25.1.3 Change in defined-benefit obligations

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Defined-benefit obligations—beginning of year	**8.455**	**6.101**
Service cost	881	713
Interest cost	253	287
Contributions paid	—	—
Amortization of actuarial net gain (loss)	458	1,496
Benefits paid	(36)	(87)
Past service cost	—	—
Business combinations	157	—
Curtailments/Settlements	—	(57)
Defined benefit obligation—end of year	**10.168**	**8.455**

25.2 Stock option plans

On November 7, 2013, the Board of Directors adopted a stock option plan in favor of certain officers and employees of Numericable Group.

25 Employee benefits (Continued)

The plan covers a total of 2,845,229 options for 2,845,229 shares. The exercise price of the option is 24.80 euros per share (the price set at the Company's IPO).

The plan has a term of eight years from November 7, 2013 until November 7, 2021.

The exercise of options is subject to conditions of presence and performance (based on consolidated revenue and EBITDA—Capex).

The vesting occurs in three periods:

- 50% in November 2015;
- 25% in November 2016;
- 25% in November 2017;

As of December 31, 2013, the fair value of options was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

The main assumptions used for the valuation of the plan are listed in the table below:

	Stock options—November 2013
Unit fair value at the grant date	3.41
Share price at the grant date	24.80
Exercise price of the option	24.80
Anticipated volatility (weighted average)	25%
Expiry date (maturity)	November 2021
Anticipated dividends	4%
Risk-free interest rate (government bonds)	0.75%

26 Other non-current liabilities

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Non-current deferred revenue (more than one year)	97,429	105,791
Non-current trade payables	4,874	5,175
Non-current tax and social security payables	282	300
Other non-current liabilities	**102,585**	**111,266**

Deferred revenue at the end of the reporting period mainly represents unrecognized network lease revenue.

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements (''IRUs'') and connection fees. For these arrangements, the revenue is generally recognized over the duration of the lease contract.

The non-current part of deferred revenue disclosed in the above table corresponds to revenue that will be recognized in more than one year.

The current-part of deferred revenue (i.e. revenue to be recognized in less than one year) is presented in ''Trade payables and other liabilities.''

27 Trade payables and other liabilities

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Current trade payables	513,979	416,183
Trade payables—acquisition of assets	78,494	87,145
Advances and down payments received	20,464	19,884
Current accounts payables	49	21,219
Liabilities related to tax and duties	24,987	87,358
Corporate and social security contributions	54,412	45,871
Current deferred revenue (less than one year)	57,441	45,319
Other payables	7,592	3,054
Trade payables and other liabilities	**757,418**	**726,033**

28 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Notes 2.15 and 2.19.

28.1 Fair value of financial instruments

Valuation techniques and assumptions applied to measure fair value for derivative instruments

The fair values of derivative instruments are calculated using market prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of estimated future cash flows, discounted based on the applicable yield curves derived from market interest rates.

In accordance with the amendments to IFRS 7, the Group classifies its financial instruments measured at fair value into three levels (the fair value hierarchy).

- Level 1 fair value measurements are those derived from market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Levels of fair value are presented in the tables below.

Fair value measurement other financial assets

Due to their short-term nature, the fair value of cash and cash equivalents, trade receivables and other current receivables and trade payables and other liabilities, is a proxy for the net carrying amount.

Investments in entities not included in the combination are unlisted equity securities. As a result, their fair value cannot be measured reliably, and these investments are accordingly measured at cost.

Financial guarantees and collateral

Under the SFA, the Group's assets have been pledged as collateral to bank lenders.

28 Financial instruments (Continued)

28.2 Financial assets

	Level of fair value	December 31, 2013—Financial assets Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
		(in thousands of euros)				
Trade receivables and other receivables	2	—	402,888	—	—	402,888
Investments in associates	3	2,893	—	—	—	2,893
Non-current financial assets	2	35	7,228	—	—	7,263
Current financial assets	2	—	4,020	—	—	4,020
Derivative instruments		—	—	—	—	—
Cash and cash equivalents	1	—	—	101,365	—	101,365
Financial assets		**2,928**	**414,136**	**101,365**	**—**	**518,429**

	Level of fair value	December 31, 2012—Financial assets Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
		(in thousands of euros)				
Trade receivable and other receivables	2	—	417,371	—	—	417,371
Investments in associates	3	3,377	—	—	—	3,377
Non-current financial assets	2	35	6,791	—	5	6,831
Current financial assets	2	—	4,034	—	—	4,034
Derivative instruments		—	—	—	—	—
Cash and cash equivalents	1	—	—	7,996	—	7,996
Financial assets		**3,412**	**428,196**	**7,996**	**5**	**439,609**

28.3 Financial liabilities

Except for interest-rate derivatives, financial liabilities are measured at amortized cost, which is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or irrecoverability.

Interest-rate derivatives held to maturity are measured at fair value through profit and loss.

Bonds are traded on the Irish Stock Exchange, market prices as of December 31, 2013 are as follows:

- Tranche C-One, coupon 12.375%, maturing February 2019: 122.83;
- Tranche C-TwoA, coupon 8.75%, maturing February 2019: 113.94.

28.4 Financial risk management objectives

Objective of the Corporate Treasury function

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports that analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Group's activities do not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Group

28 Financial instruments (Continued)

seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group does not hold or trade in financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows funds, mostly at floating interest rates. The risk is managed by the Group, when deemed appropriate, through the use of interest rate swaps and interest rate caps. Even though the Group does not apply IAS 39 in terms of hedge accounting, hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied, in compliance with the requirements of the SFA.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point decrease is used when reporting interest rate risk internally to key management personnel. This represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been roughly 50 basis points higher (lower) and all other variables were held constant, the Group's net income (loss) for the year ended December 31, 2013 would have decreased (increased) by 12 million euros. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The Group did not hold any swap contracts during the years ended December 31, 2013 and 2012.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments that could potentially subject 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 financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

As mentioned in Note 20, 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 and located across France. In addition, the maximum value of the counterparty risk on these financial assets is equal to their

28 Financial instruments (Continued)

recognized net carrying amount. An analysis of credit risk on net trade receivables past due is provided in Note 20.

The Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. There is currently a claim with Lehman Brothers for a total amount of approximately 11.2 million euros. In 2012, the Group received a first payment 2.8 million euros in relation to this claim. In 2013, the Group received two further installments in a total amount of 7.1 million euros. As such a contingent gain of 1.3 million euros remains for the Group, but has not been recognized as of December 31, 2013.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods (excluding amortized costs and future interests). The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	December 31, 2013			
	Less than 1 year	1-5 years	More than 5 years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	47,341	2,226,717	380,380	2,654,438
Perpetual subordinated notes	—	—	37,695	37,695
Financial liabilities under finance leases	20,578	19,799	1,116	41,493
Other financial liabilities	1,096	1,568	—	2,664
Total bonds and loans	**69,015**	**2,248,084**	**419,191**	**2,736,290**
Derivative instruments	—	—	—	—
Deposits received from customers	—	51,932	—	51,932
Bank overdrafts	—	—	—	—
Total financial liabilities	**69,015**	**2,300,016**	**419,191**	**2,788,222**

28 Financial instruments (Continued)

	December 31, 2012			
	Less than 1 year	1-5 years	More than 5 years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	98,545	1,869,210	860,199	2,827,955
Perpetual subordinated notes	—	—	35,208	35,208
Financial liabilities under finance leases	19,432	6,359	1,527	27,318
Other financial liabilities	2,113	2,012	129,222	133,347
Total bonds and loans	**120,090**	**1,877,581**	**1,026,156**	**3,023,828**
Derivative instruments	—	—	—	—
Deposits received from customers	—	44,517	—	44,517
Bank overdrafts	—	—	—	—
Total financial liabilities	**120,090**	**1,922,098**	**1,026,156**	**3,068,344**

The Group considers that its available cash and cash equivalents and the anticipated cash flows from operations are sufficient to cover its operating expenses, capital expenditure and its financial debt requirements for the next twelve months.

29 Related party transactions

The majority shareholders of the Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Group have been eliminated in preparing the consolidated financial statements and are not disclosed herein. Details of transactions between the Group and other related parties are disclosed below.

29.1 Trading and financing transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2013	2012	2013	2012	2013	2012
	(in thousands of euros)					
Shareholders						
Cinven	474	610	—	—	639	—
Altice	181	1,214	—	—	—	—
Carlyle	450	600	—	—	900	450
Associate						
Alsace Connexia Participation SAS	—	—	2,280	2,235	—	—

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (1,106 thousands euros in 2013 and 2,424 thousand euros in 2012). These contracts ended on September 30, 2013 within the framework of the IPO.

Moreover, as mentioned in Note 4.1.1, during the restructuring of the Group's debt in 2009, in which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued

29 Related party transactions (Continued)

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 capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 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 extinguishment of the debt (''Premium'') was recognized as financial expense in the amount of 81.6 million euros. This charge had no impact on the Group's cash position.

29.2 Related-party relationships

(1) Relationships with shareholders

Relationships with Altice

Altice owns cable networks in the French West Indies (Antilles), and the Group pays call termination charges to these networks for calls made by subscribers of its network to subscribers of networks in the West Indies. Conversely, the Group receives call termination charges for calls made by subscribers of these networks to subscribers of the Group.

Finally, Altice owns Auberimmo, which is a company that rents infrastructures to the Group. Auberimmo has a sole client, Completel SAS, which is a member of the Group. Rents invoiced in 2013 amounted to 1,132 thousand euros, compared with 1,081 thousand euros in 2012.

Relationships with Carlyle

Sagemcom, one of the Group's key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

NC Numericable and Completel also signed a contract for services with B&B Hotels and Econonich (together, ''Group B&B Hotels''), acquired by Carlyle Group in 2010, on December 31, 2013. The contract was concluded for a period of five years, after which the parties will meet for a possible contract extension. Under the terms of the contract, NC Numericable and Completel have committed to provide the following services:

- access to broadband internet;
- creation of an IP network on all relevant sites;
- security services;
- fixed telephony services;
- TV services; and
- various other cross-cutting services.

(2) Relationships with Coditel, an entity owned by Altice and by other parties unrelated to the Group

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, the Group entered into a service agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations.

29 Related party transactions (Continued)

Service agreement

On June 30, 2011, Numericable SAS entered into a service agreement (the ''Coditel Service Agreement'') with Coditel. Pursuant to the Coditel Service Agreement, the Group will continue to provide Coditel with all the services it provided prior to its sale, including:

- VOD platform services and VOD content services;
- television, IP and voice engineering services;
- support and assistance in purchasing hardware and devices needed for its operations, in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VOD content;
- delivery of television channels signals and existing data flows over the Group's backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in the Group's premises or currently supported from the Group's systems.

In consideration of the services provided, Coditel agreed to pay the Group a total of 100,000 euros per year. In addition, Coditel will pay the Group 10% of its monthly VOD revenues.

Trademark License Agreement

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the ''Trademark Agreement''). Pursuant to the Trademark Agreement, the Group will provide Coditel with a license to use the ''Numericable'' trademark, registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, Internet and telephone products and services. The license fee is included in the annual fee of 100,000 euros under the Service Agreement. The Trademark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Service Agreement or upon expiry of the Service Agreement.

29.3 Compensation of key management personnel

Compensation of members of the Executive Committee amounted to 2,226 thousand euros and 2,100 thousand euros in 2013 and 2012 respectively. This amount includes only short-term benefits such as salaries, wages and bonuses.

The Group has also recorded 303 thousand euros as of December 31, 2013 for retirement benefits (general regime) for Executive Committee members.

Lastly, the expense related to stock option plan (employer contribution + IFRS 2 expense) represents 3,409 thousand euros for members of the Executive Committee for 2013 (nil in 2012).

30 Lease arrangements

30.1 The Group as lessor

Finance leases

The Group has not any contracted finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

30 Lease arrangements (Continued)

Future revenues related to these leases (recorded in deferred income) break down as follows:

	Future minimum amount of rents	
	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Not later than 1 year	53,930	45,318
Later than 1 year and not later than 5 years	42,224	40,930
More than 5 years	54,997	64,545
Total	**151,151**	**150,793**

30.2 The Group as lessor

Finance leases

The Group has entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The main finance lease arrangements relate to network equipment bought from Cisco and the property lease for the headquarters offices of the Group in Champs-sur-Marne, for which the Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

All leases are denominated in euros. Certain property lease arrangements stipulate that the annual payments will be set at a fixed amount at the beginning of the lease, but will be increased in line with the inflation rate in subsequent years (i.e. a percentage increase).

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(in thousands of euros)			
Not later than 1 year	22,100	11,685	21,257	11,302
Later than 1 year and not later than 5 years	21,069	13,883	19,246	12,830
More than 5 years	1,342	721	989	595
	44,510	**26,288**	**41,492**	**24,728**
Less future finance charges	(3,018)	(1,560)	—	—
Present value of minimum lease payments	41,492	24,728	41,492	24,728
Financial liabilities related to finance leases—current portion			21,257	11,302
Financial liabilities related to finance leases—non-current portion			20,235	13,426

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.96% and 3.24% per annum for 2013 and 2012 respectively.

Operating leases

The Group also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicle under operating lease is 3 years.

As part of the networks business, leases involving equipment and network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

30 Lease arrangements (Continued)

In connection with its entertainment business activities, the Group has also entered into operating leases and agreements to purchase TV programs.

As of December 31, 2013, non-cancellable operating lease commitments amounted to:

	December 31, 2013 (in thousands of euros)
Not later than 1 year	10,381
Later than 1 year and not later than 5 years	34,798
More than 5 years	12,978
	58,156

31 Non-current assets held for sale and discontinued operations

None.

32 Commitments and contractual obligations

32.1 Commitments given

Guarantees in relation to the Senior Facility Agreement

As part of the SFA entered into by the subsidiaries of the Group, the following commitments were given to the lending banks:

- Compliance with financial covenants;
- Stable tax consolidation scope;
- Compliance with conditions governing the acquisition, disposal, use and control of assets.

All the assets of the Group's subsidiaries have been pledged to the banks.

Commitments in relation to business operations

The Group is committed to build 75,000 connectors for a total amount of 4.5 million euros on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Group needs licenses, authorizations or rights of use to infrastructure in the public and private domain. Consequently, the Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

Lease commitments in relation to business operations

As disclosed in Note 30, the Group has entered into various lease arrangements.

32 Commitments and contractual obligations (Continued)

Contractual obligations

The following table sets out the maturity of financial commitments in respect of borrowings and leases entered into by the Group (see the corresponding Notes):

	Note	< 1 year	Maturity 1-5 years	> 5 years	Total December 31, 2013
			(in thousands of euros)		
Loans and financial liabilities	23	64,249	2,283,075	418,818	2,766,142
Operating leases	30	10,381	34,798	12,978	58,157
Total		**74,630**	**2,317,873**	**431,796**	**2,824,299**

32.2 Commitments received

The Group has received a commitment of a total amount of 25 million euros from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Group has already received 23.8 million euros in principal from GDF Suez as of December 31, 2013.

33 Events after the end of the reporting period

33.1 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. A liquidity account of 3 million euros has been opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract.

33.2 Granting of a new stock option plan

On January 10, 2014, the Board of Directors adopted a stock option in favor of certain officers and employees of Numericable Group.

This plan covers a total of 287,618 options for 287,618 shares.

The exercise price is 27.62 per share.

33.3 Exclusive talks with Vivendi for the acquisition of SFR

On March 14th, 2014, the board of directors of Vivendi announced that it entered into exclusive talks with Altice, the majority shareholder of Numericable Group, for a period of three weeks, in order to discuss the possible acquisition of its subsidiary SFR.

Numericable Group

Combined Financial Statements

For the three years ended December 31, 2012, 2011 and 2010

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

This is a free translation into English of the auditor's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France. The auditor's report issued in the French language is governed by French law. The Courts in France shall have exclusive jurisdiction to settle any claim, difference or dispute which may arise out of or in connection with the report.

Numericable Group

Statutory Auditor's Report on the Numericable Group Combined Financial Statements for each of the three years ended December 31, 2012, 2011 and 2010

To the Chairman and Chief Executive Officer of Numericable Group,

In our capacity as statutory auditor of Numericable Group (the ''**Company**'') and in accordance with Regulation (EC) No 809/2004, we have audited the accompanying combined financial statements of the group described in Note 1.5, which comprise the combined statement of financial position of the Company as of December 31, 2012, 2011 and 2010, the combined statement of income, the combined statement of comprehensive income, the combined statement of cash flows and the combined statement of changes in equity for each of the three years then ended and a summary of significant accounting policies and other explanatory notes (together the ''**Combined Financial Statements**'').

The Combined Financial Statements have been established under the responsibility of the Board of Directors of the Company in the context of the contemplated initial public offering of the shares of Numericable Group and in connection with the contemplated restructuration of the Ypso France SAS and Altice B2B France SAS operations under Ypso France SAS. Our responsibility is to express an opinion on the Combined Financial Statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free from 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 accounting estimates made, as well as the overall presentation of the Combined 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 prepared for the purpose of the prospectus give a true and fair view of the assets and liabilities and of the financial position of the combined group as at December 31, 2012, 2011 and 2010 and the results of the operations and of its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- The basis of preparation in Note 1.4, which describes notably in section ''Basis of combination'', the accounting method used for the combination of the two groups being under common control in the absence of specific guidance under IFRS as adopted by the European Union;
- The fact set out in Note 1.6 to the Combined Financial Statements which discloses the facts upon which management of the Company has based its evaluation of the ability of the combined group to meet its financing needs in 2013 and the reason supporting the continuing use of the going concern principle for preparing the Combined Financial Statements.

Neuilly-sur-Seine, September 6, 2013
The statutory auditor
Deloitte & Associés

Christophe Saubiez

Numericable Group
COMBINED STATEMENTS OF INCOME

	Notes	Years Ended December 31, 2012	2011	2010
		(in thousands of euros)		
Revenue	6	**1,302,425**	**1,306,856**	**1,208,695**
Purchases and subcontracting services	7	(602,121)	(621,696)	(557,803)
Staff costs and employee benefits expense		(141,475)	(141,034)	(127,170)
Taxes and duties		(32,396)	(28,275)	(30,131)
Provisions		(7,715)	(7,957)	(16,716)
Other operating income	8	89,229	80,412	64,324
Other operating expenses	9	(17,178)	(25,077)	(27,334)
Operating income before depreciation and amortization (EBITDA)		**590,769**	**563,229**	**513,865**
Depreciation and amortization		(291,724)	(294,517)	(305,417)
Operating income		**299,045**	**268,713**	**208,448**
Financial income		4,326	1,208	808
Interest relative to gross financial debt		(183,057)	(177,343)	(175,062)
Other financial expense		(32,699)	(9,883)	(4,162)
Finance costs, net	10	**(211,430)**	**(186,019)**	**(178,416)**
Income tax expense	11	(2,486)	(13,387)	(3,841)
Share in net income (loss) of associates		(199)	(309)	368
Net income (loss) from continuing operations		**84,930**	**68,998**	**26,560**
Net income from discontinued operations	30	—	126,059	31,237
Net income (loss)		**84,930**	**195,058**	**57,797**
—Attributable to owners of the entity		84,881	194,859	58,039
—Attributable to non-controlling interests		49	199	(242)

Numericable Group

COMBINED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Years Ended December 31,		
	2012	2011	2010
	(in thousands of euros)		
Net income (loss) attributable to owners of the entity	**84,881**	**194,859**	**58,039**
Cumulative translation adjustments	—	—	—
Change in fair value of available-for-sale financial assets	—	—	—
Actuarial gains and losses	—	—	—
Tax on items recognized directly in equity	—	—	—
Total other comprehensive income/(loss) attributable to owners of the entity	**84,881**	**194,859**	**58,039**

In accordance with IAS 1 *Presentation of financial statements (2007)* (**IAS 1**), the Combined Group, as defined in Note 1, presents a statement of other comprehensive income. However, as the Combined Group operates only in France, the functional and presentation currency of all the entities within the Combined Group is the euro. As a result, no cumulative translation adjustment has been recognized as of December 31, 2012, 2011 and 2010.

Available-for-sale financial assets are comprised of various investments in entities not comprised in the combination, that are not listed (see Note 17) for which fair value cannot be measured reliably. Due to the fact that these investments are not material, these investments are measured at cost and accordingly, no unrealized gain/loss is recognized in the statement of other comprehensive income.

As mentioned in Note 2.20, the Combined Group recognizes actuarial gains and losses immediately through income. Accordingly, there are no actuarial gains and losses recognized directly in equity.

Numericable Group

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2012	December 31, 2011	December 31, 2010
		(in thousands of euros)		
ASSETS				
Goodwill	12	1,458,686	1,458,638	1,458,585
Other intangible assets	13	326,187	346,056	376,793
Property, plant and equipment	14	1,389,932	1,348,564	1,340,903
Investments in associates	16	3,377	3,577	3,886
Other non-current financial assets	17	6,831	7,761	7,371
Deferred tax assets	11	—	—	—
Non-current assets		**3,185,013**	**3,164,596**	**3,187,538**
Inventories	18	45,609	38,998	33,843
Trade receivable and other receivables	19	417,371	362,981	357,090
Other current financial assets	17	4,034	42	249
Income tax receivable	11	6	4	276
Cash and cash equivalents	20	7,996	40,580	30,897
Current assets		**475,016**	**442,605**	**422,355**
Assets classified as held for sale	30	**—**	**—**	**270,549**
TOTAL ASSETS		**3,660,029**	**3,607,201**	**3,880,442**
EQUITY AND LIABILITIES				
Net invested equity attributable to owners of the entity		**(287,364)**	**(372,233)**	**(567,023)**
Non-controlling interests		33	(57)	(323)
Total invested equity	21	**(287,331)**	**(372,290)**	**(567,346)**
Non-current portion of financial liabilities	22	2,926,343	2,912,981	3,174,526
Non-current provisions	23/24	63,973	62,847	48,107
Deferred tax liabilities	11	—	—	—
Other non-current liabilities	25	111,266	100,983	110,339
Non-current liabilities		**3,101,582**	**3,076,811**	**3,332,972**
Current portion of financial liabilities	22	114,732	191,564	218,748
Current provisions	23/24	2,409	8,998	570
Trade payable and other current liabilities	26	726,033	698,670	683,873
Current income tax liabilities	11	2,604	3,448	194
Current liabilities		**845,778**	**902,680**	**903,385**
Liabilities classified as held for sale	30	**—**	**—**	**211,432**
TOTAL EQUITY AND LIABILITIES		**3,660,029**	**3,607,201**	**3,880,442**

Numericable Group

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Net invested equity attributable to the owners of the entity	Non-controlling Interests	Total invested equity
	(in thousands of euros)		
Balance at January 1, 2010	**(625,075)**	**4,954**	**(620,211)**
Net income (loss)	58,039	(242)	57,797
Purchase of non-controlling interests	348	(5,035)	(4,687)
Other adjustments	(335)	—	(335)
Balance at December 31, 2010	**(567,023)**	**(323)**	**(567,346)**
Net income (loss)	194,859	199	195,058
Other adjustments	(69)	67	(2)
Balance at December 31, 2011	**(372,233)**	**(57)**	**(372,290)**
Net income (loss)	84,881	49	84,930
Purchase of non-controlling interests	(12)	41	29
Balance at December 31, 2012	**(287,364)**	**33**	**(287,331)**

Numericable Group

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2011	2010
	(in thousands of euros)		
Net income from continuing operations	**84,930**	**68,998**	**26,560**
Share in net income (losses) of associates	199	309	(368)
Depreciation and amortization	288,489	312,974	315,054
Gains and losses on disposals	3,565	4,127	3,095
Other non-cash operating gains and losses	3,028	(20,081)	(36,448)
Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax	**380,211**	**366,326**	**307,894**
Finance costs, net	183,516	204,325	222,869
Income tax paid	(856)	1,083	(2)
Changes in working capital	(31,911)	5,392	13,961
Net cash provided (used) by operating activities	**530,960**	**577,127**	**544,722**
Capital expenditures	(299,890)	(251,448)	(246,592)
Proceeds from disposal of tangible and intangible assets	3,816	5,041	8,142
Decrease (increase) in loans and other non-current financial assets	(3,440)	41	(2,802)
Cash expenditures for acquisition of investments in companies	(6)	—	(58,086)
Investment subsidies and grants received	14,303	8,713	7,479
Net cash provided (used) by investing activities	**(285,217)**	**(237,652)**	**(291,859)**
Proceeds from issuance of shares	—	—	—
Issuance of debt	830,975	172	54,648
Repayment of debt	(957,189)	(335,085)	(154,705)
Interest paid	(152,113)	(154,791)	(169,192)
Net cash provided (used) by financing activities	**(278,327)**	**(489,705)**	**(269,249)**
Net cash flow from continuing operations	**(32,584)**	**(150,231)**	**(16,386)**
Net cash flow from discontinued operations	—	156,258	15,196
Net increase (decrease) in cash and cash equivalents	**(32,584)**	**6,027**	**(1,190)**
Cash and cash equivalents—opening balance	**40,580**	**34,553**	**35,743**
Cash and cash equivalents—closing balance	**7,996**	**40,580**	**34,553**

The net cash flow from discontinued operations is detailed in note 30.

Numericable Group

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Numericable Group

Combined Financial Statements

for the three years ended December 31, 2012

1 Basis of preparation of the combined financial statements

1.1 Presentation of the Two Groups forming Numericable Group

Numericable Group (the ''**Company**'') is a limited company under French law, whose head office is located in France and has been formed in August 2013. In relation to the admission of the shares of the Company on Euronext Paris, the Company will receive the contribution of two entities incorporated in Luxembourg, Ypso Holding S.à.r.l and Altice Lux Hold S.à.r.l., which are holding companies that are respectively parent companies of Ypso France SAS and Altice B2B France SAS. Ypso Holding S.à.r.l, Ypso France SAS and its subsidiaries are hereafter referred to as ''Ypso'' and Altice Lux Hold S.à.r.l., Altice B2B France SAS and its subsidiaries are hereafter referred to as ''Altice B2B''.

Ypso France SAS

Ypso France SAS, which operates the Numericable 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 SAS also provides French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

Altice B2B France SAS

Altice B2B France SAS, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office, or FTTO, network in France, constituting the third alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

1.2 Description of the context

Ypso and Altice (collectively the ''**Two Groups**'' or the ''**Combined Group**'') are currently entities under common control. The Two Groups are ultimately controlled by three private equity funds Carlyle, Cinven and Altice. The purpose of the combined financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical bases in the assets, liabilities and results of operations and cash flows for each period presented in the combined financial statements. Accordingly, the combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which are separate legal groups at December 31, 2012, 2011 and 2010.

The combined financial statements have been prepared for the three-year period ended December 31, 2012, 2011 and 2010 (collectively the ''Combined Financial Statements'') in conjunction with the contemplated initial public offering of the shares of Numericable Group (the **''Offering''**). It is expected that Ypso will acquire 100% of the share capital of Altice B2B (the **''Combination''**) in order to reflect the combination of the Two Groups.

1.3 Statement of compliance

The combined financial statements of Numericable Group include a combined statement of financial position as of December 31, 2012, 2011 and 2010, a combined statement of income, a combined statement of comprehensive income, a combined statement of cash flows and a combined statement of changes in equity for each of the three years in the period ended December 31, 2012 and the underlying Notes. The combined financial statements have been prepared in compliance with International Financial Reporting Standards (**''IFRS''**) as published by the International Accounting Standards Board (''**IASB**'') and as adopted by the European Union at December 31, 2012.

The Combined Financial Statements were approved by the Board of Directors on September 6, 2013.

1 Basis of preparation of the combined financial statements (Continued)

1.4 Basis of presentation of the Combined Financial Statements

IFRS financial statements.

For the purpose of preparing the Combined Financial Statements, accounting principles effective as of December 31, 2012 have been applied to all years presented in these Combined Financial Statements.

Ypso France and Altice B2B France prepare separate consolidated financial statements in accordance with the accounting rules and principles generally accepted in France (''**French GAAP**''), in application of Regulations n° 99.02 and n° 2005.10 of the Accounting Regulations Board, in connection with the financing agreement entered into with the banks on June 6, 2006 and subsequently amended on July 18, 2006, March 2, 2007 and June 24, 2008.

Ypso France SAS also prepares consolidated financial statements in accordance with IFRS to comply with its reporting requirements in relation to the issuance of the Ypso High-Yield Notes (as defined in Note 4.1.1).

In preparing the Combined Financial Statements, Altice B2B France prepared consolidated financial statements in accordance with French GAAP and converted them to IFRS which resulted in the following adjustments:

- Connection fees for business clients have been amortized over the contractual engagement period in accordance with IAS 18 *Revenue*;
- Under IFRS, certain lease arrangements relating to offices and equipment have been analyzed as finance leases as a result of applying the criteria defined under IAS 17 *Leases*. Under French GAAP, these lease arrangements were analyzed as operating leases and need to be reclassified as finance leases under IFRS;
- In accordance with the exemption provided for in IFRS 1 *First-time adoption of IFRS*, past business combinations that occurred prior to January 1, 2010 have not been restated and no amortization of goodwill has been recognized under IFRS;
- Under IFRS, transaction costs (including debt issuance costs) that are directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying value. Debt issuance costs are amortized over the debt term using the effective interest method (as opposed to the immediate recognition of a financial expense under French GAAP);
- Changes in the fair value of interest-rate derivative instruments have been recognized immediately in the combined statement of income within financial income and expenses under IFRS whereas under French GAAP, these interest rate swaps are considered as off-balance sheet commitments. Changes in fair value of interest rate derivatives are reported as other assets and liabilities under IFRS;
- The research tax credit is determined based on a certain amount of qualifying R&D staff costs, which are capitalized under IAS 38 *Intangible Assets* (''**IAS 38**''). As a result, the amount of research tax credit has been recognized ratably over the useful life of the capitalized costs, that is 3 years;
- Certain non-recurring income and expenses have been reclassified to EBITDA and/or financial income in the combined statement of income under IFRS.

Subsequent events.

The Combined Financial Statements of Numericable Group were prepared under the responsibility of the Chairman of Ypso and Altice B2B and approved by the Board of Directors of the Company on September 6, 2013. The preparation of the Combined Financial Statements is consistent with estimates reflected in the consolidated financial statements of Ypso and Altice B2B as of December 31, 2012, which were respectively authorized for issue on April 10, 2013 and April 18, 2013 by the Chairman. With

1 Basis of preparation of the combined financial statements (Continued)

the exception of the adjustments made in connection with the conversion of the consolidated financial statements of Altice B2B from French GAAP to IFRS, no adjustment has been reflected in the Combined Financial Statements for any subsequent events since April 18, 2013 to reflect exactly the position that was presented in the consolidated financial statements of the Ypso and Altice for which the Combined Financial Statements are being prepared as disclosed hereafter with the exception of the adjustments made in connection with the conversion in IFRS of the Financial Statements of Altice B2B prepared in accordance with French GAAP.

Basis of combination.

The Combined Financial Statements were prepared using the accounting records that were used to prepare the consolidated financial statements of the Ypso and Altice B2B sub-groups for the year ended December 31, 2012, 2011 and 2010.

All intra-group balances and transactions have been eliminated in preparing the Combined Financial Statements, including the transactions between Ypso and Altice B2B and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Carlyle, Cinven and Altice and the Combined Financial Statements reflects the combination of Ypso and Altice using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* (''**IFRS 3**''), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A—*Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Combined Financial Statements.
- Likewise, the Combined Financial Statements were prepared by aggregating the separate consolidated financial statements of Ypso and Altice B2B at their historical book value:
  - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Ypso and Altice B2B sub-groups and fully aggregated at their historical book value without being revalued;
  - Preexisting non-controlling interests have been maintained at their book value in the combined statements of financial position. They primarily represent the 0.6% ownership in Completel Europe NV (a subsidiary fully consolidated in the consolidated financial statements of Altice B2B France) that was repurchased by Altice B2B France for approximately €5 million in 2010;
  - The combined equity has been determined by aggregating the consolidated equity of the sub-groups Ypso and Altice;
  - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Combined Financial Statements;
  - The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated;

1 Basis of preparation of the combined financial statements (Continued)

- Subordinated debt instruments from ultimate shareholders, which are recorded in the liabilities of Ypso Holding and Altice B2BLux, have been classified directly in equity as they will be contributed to Numericable Group by the shareholders as a result of the contemplated reorganization and then be converted into share capital.

With respect to the presentation of comparative information, the comparative information for 2010 has been adjusted to reflect the combination at the beginning of the earliest period presented, that is, January 1, 2010, date as of which both Groups were under common control.

1.5 List of entities comprised in the Combination

Subsidiaries

Entities forming the Combined Group are companies in which the Two Groups have a controlling interest through Ypso or Altice, that is, entities in which the Two Groups have the power to govern financial and operational policies in order to obtain benefits from their operations. Control exists when the Combined Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Combined Financial Statements from the date that control commences until the date that control ceases. Non-controlling interests in subsidiaries are identified separately from the Combined Group's equity therein.

Associates

Investments in which the Combined Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these Combined Financial Statements. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Associates are initially recognized at cost. The Combined Financial Statements include the Combined Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

1 Basis of preparation of the combined financial statements (Continued)

As of 31 December 2012, 2011 and 2010, the Combined Financial Statements result from the combination of the following entities:

Company and legal form of incorporation	Registered office	Consolidation method as of December 31 2012, 2011 and 2010	Percentage of control 2012	Percentage of control 2011	Percentage of control 2010	Percentage of interest 2012	Percentage of interest 2011	Percentage of interest 2010
Entities comprising the Ypso sub-group								
Ypso Holding S.à.r.l	37, rue d'Anvers, L1130 Luxembourg	Parent company		N/A			N/A	
Ypso France SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%	100%	100%
Numericable SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%	100%	100%
EST Vidéocom-munication	14 rue des Mercuriales—67450 Lampertheim	Full consolidation	100%	100%	100%	100%	100%	100%
NC Numericable SAS (ex-NOOS SA)	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%	100%	100%
ENO SPRL (Belgium)	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Full consolidation	N/A	N/A	N/A	N/A	N/A	N/A
ENO HOLDING (Belgium)	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	—	100%	100%	—
TME France SA	Fort de Tourneville—55, rue du 329ème—76600 Le Havre	Full consolidation	100%	100%	100%	100%	100%	100%
Coditel Debt (Luxembourg)	121, avenue de la Faïencerie L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%	100%	100%
Ypso Finance (Luxembourg)	121, avenue de la Faïencerie L-1511 Luxembourg	Full consolidation	100%	100%	—	100%	100%	—
Sequalum Participation(1)	5, place de la pyramide—92800 Puteaux	Full consolidation	95%	79.22%	79.22%	95%	79.22%	79.22%
Sequalum SAS(1)	5, place de la pyramide—92800 Puteaux	Full consolidation	95%	79.22%	79.22%	95%	79.22%	79.22%
Alsace Connexia Participation SAS	40-42 Quai du point du jour—92100 Boulogne	Equity method	38.15%	38.15%	38.15%	38.15%	38.15%	38.15%
Entities comprising the Altice B2B sub-group								
Altice B2B Lux S.à.r.l	37, rue d'Anvers, L1130 Luxembourg	Parent company		N/A			N/A	
Altice B2B France SAS	102 Avenue des Champs Elysées 75008 Paris	Full consolidation	100%	100%	100%	100%	100%	100%
Altitude Telecom SAS(2)	11 Cours Valmy—Tour Pacific—92977 Paris La Defense	Full consolidation	100%	100%	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide—92088 Paris La Défense	Full consolidation	100%	100%	100%	100%	100%	100%
B3G SA(2)	15 Rue Auber 75009 Paris	Full consolidation	N/A	N/A	100%	100%	100%	100%
B3G Online(2)	15 Rue Auber 75009 Paris	Full consolidation	N/A	N/A	100%	100%	100%	100%
B3G NV	Netherlands	Full consolidation	100%	100%	100%	100%	100%	100%

(1) The Combined Group acquired in January 2012 the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Combined Group owned 95% of Sequalum Participation.

(2) The entities Altitude Telecom, B3G SA and B3G Online were merged in 2011 in Completel SAS.

1 Basis of preparation of the combined financial statements (Continued)

1.6 Going concern assumption

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance cost.

Currently, the Combined Group services its debt and funds its investments through net cash from operations. Furthermore, the Combined Group's covenants under its facility agreements require the Combined Group to comply with certain liquidity ratios and to maintain certain cash levels.

Furthermore, as explained in Note 32, the Combined Group amended its Senior Facility Agreements in July and August 2013 which allowed the Combined Group to reschedule a large portion of its debt.

Under these conditions and given the updated cash flow projections, management believes that the Combined Group will be able to finance its cash requirements for the next twelve months from the date of approval of the Combined Financial Statements for the three years ended December 31, 2012 and meet its financial debt obligations during the period.

As a result, the Combined Financial Statements of the Combined Group for the three years ended December 31, 2012 have been prepared on a going concern basis.

2 Significant accounting policies

2.1 Accounting principles governing the preparation of the Combined Financial Statements

Standards and interpretations applied by the Combined Group as of December 31, 2012

With the exception of the principles used for the combination, as disclosed in Note 1, the accounting policies for recognition and measurement used in preparing the Combined Financial Statements at December 31, 2012 are the same as those used in the previous consolidated financial statements of Ypso under IFRS. Adjustments have been recognized to convert the consolidated financial statements of Altice B2B (prepared under French GAAP) to IFRS (see Note 1.4).

As mentioned in Note 1, the Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted by the European Union (''**EU**'') with mandatory application as of December 31, 2012. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the Combined Financial Statements. They are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Standards and interpretations adopted by the European Union with mandatory application as of December 31, 2012 are similar to the standards and interpretations published by the International Accounting Standards Board (''**IASB**''), with the exception of the carve-out of IAS 39 *Financial Instruments: Recognition and Measurement* (''**IAS 39**'') and the below standards and interpretations adopted by the EU but not yet mandatory in EU as of December 31, 2012. However, those standards and interpretations are not applicable to the Combined Group. As a result, the Combined Financial Statements comply with International Financial Reporting Standards as published by the IASB.

The standards and interpretations applicable from January 1, 2012 have no significant effect on the Combined Financial Statements as of date

2 Significant accounting policies (Continued)

Standards and interpretations compulsory after December 31, 2012 and not early adopted by the Combined Group

The following are standards and interpretations that have been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of preparation of these Combined Financial Statements but that are not yet mandatory. The Combined Group has not elected an earlier application:

– IAS 27 (revised 2011): Separate Financial Statement (applicable on or after January 1, 2014 for the Combined Group) (''**IAS 27**'')

This standard outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

– IAS 28 (revised 2011): *Investments in Associates and Joint Ventures* (applicable on or after January 1, 2014 for the Combined Group) (''**IAS 28**'')

This standard relates to the accounting for joint ventures and associates under the equity method.

Some clarifications have been included with respect to the accounting for changes in ownership interests (with or without loss of control) whereas disclosures are now covered by IFRS 12.

– IFRS 10: *Consolidated Financial Statements* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 10**'')

IFRS 10 supersedes SIC-12 and IAS 27 for the part relating to the consolidated financial statements. This standard deals with the consolidation of subsidiaries and structured entities, and redefines control which is the basis of consolidation.

– IFRS 11*: Joint Arrangements* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 11**'').

IFRS 11 supersedes IAS 31 and SIC-13.

This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties which share the control.

There are two types of joint arrangements (i) *joint ventures*: the joint venturer has rights to the net assets of the entity to be accounted for using the equity method, which is the method already applied by the Combined Group; and (ii) *joint operations*: the parties to joint operations have direct rights to the assets and direct obligations for the liabilities of the entities which should be accounted for as arising from the arrangement.

– IFRS 12: *Disclosure of interest in Other Entities* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 12**'')

IFRS 12 supersedes disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard groups and develops all the disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated structured entities.

– IFRS 13*: Fair value Measurement* (applicable for annual periods beginning on or after January 1, 2013) (''**IFRS 13**'')

IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in IFRS 7.

2 Significant accounting policies (Continued)

– IAS 19 *(revised 2011): Employee Benefits* (applicable on or after January 1, 2013 for the Combined Group) (''**IAS 19**'')

The main changes are:

- the recognition of actuarial gains and losses through Other Comprehensive Income, which will result in a change in accounting principles as the Combined Group recognizes actuarial gains and losses through income as at December 31, 2012 ; and
- the modification of the calculation of the finance cost component, due to the removal of the expected return on plan assets, which is not expected to have a material effect on the Combined Group's financial statements;
- the immediate expense of non-vested past service costs which has no expected material effect to date on the Combined Group's financial statements.

The other amendments and interpretations not yet adopted by the Combined Group as at December 31, 2012 are as follows:

– Amendments to IAS 1—Presentation of Items of Other Comprehensive Income and Separate *Financial Statements* (applicable on January 1, 2013 for the Combined Group)

– IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (applicable on January 1, 2013 for the Combined Group) (''**IFRS 20**'')

– Amendments to IFRS 7 *Disclosures—Offsetting Financial Assets and Financial* Liabilities (applicable on January 1, 2013 for the Combined Group)

– Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* (applicable on January 1, 2013 for the Combined Group)

– Amendments to IAS 12 *Deferred Tax—Recovery of Underlying Assets* (for annual periods beginning on January 1, 2013 for the Combined Group)

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* (applicable on January 1, 2013 for the Combined Group)

Management is currently assessing the potential impact of the application of these standards and amendments on the combined statement of income, the combined statement of financial position, the combined statement of cash flows and the content of the notes to the Combined Financial Statements but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

The Combined Financial Statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below:

– derivative financial instruments measured at fair value;

– financial assets at fair value through profit and loss measured at fair value;

– available-for-sale financial assets measured at fair value.

2.2 Foreign Currency Translation Adjustments

The Combined Financial Statements are presented in euros, the functional and presentation currency of the Two Groups. All financial data are rounded to the nearest thousand of euro.

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 a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed. Non-monetary assets and liabilities that are

2 Significant accounting policies (Continued)

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 and loss.

2.3 Revenue

Revenue from the Combined Group's activities is mainly composed of:

– TV subscriptions (TV), broadband Internet, basic cable services, telephony and installations fees invoiced to residential and business clients.

– Data transmission and very high speed Internet services, telecommunications services, convergence and mobility solutions, invoiced to business clients.

– Network infrastructure-based services, including indefeasible rights of use (''IRUs'') arrangements or bandwidth capacity on our network, to other telecommunications operators and offer related maintenance services.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Combined Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales between entities comprised in the scope of combination.

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

– Revenues from subscriptions for basic cable services, digital TV pay, internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls are recognized when the service is rendered.

– When a promotion not related to a customer's past consumption and purchases (such as subscription rate discount, service free period) is offered to a customer in relation to a subscription, the Combined Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Combined Group has the enforceable and contractual right to deliver the products after the promotional free month period to the customer. If a promotion is not related to the subscription for a contract including a non-cancellable period, the company recognizes revenues during the promotion period up to the consideration received or receivable, as the customer's continuance is not assured.

– Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship.

– Service access fees for business clients, when the access to the services is provided and they are associated to equipment or a service, are deferred and the revenue is recognized along the estimated client lifetime duration. They generally spread over the contractual engagement period.

– The revenue related to transmission capacity on terrestrial cables under IRUs arrangements are recognized on a straight-line basis over the life of the contract.

2.4 Deferred revenue

For certain arrangements entered into with its non-residential customers, the Combined Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements and connection fees. For these arrangements, the revenue is generally recognized ratably over the term of the lease contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

2 Significant accounting policies (Continued)

2.5 Operating income before depreciation and amortization

The Combined Group has included the subtotal ''Operating income before depreciation and amortization'' or ''EBITDA'' on the face of the combined statement of income because management believes that this subtotal is useful as it provides a measure of operating results that excludes non-cash elements such as depreciation and amortization, thus enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by management to measure the operational and financial results, to make decisions with respect to investments and allocation of resources, and to assess the performance of management personnel.

The subtotal EBITDA may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the combined financial statements in accordance with IFRS 1.

2.6 Finance costs

Finance costs primarily comprise:

- interest charges and other expenses paid for financing operations recognized at amortized costs and changes in the fair value of interest rate derivative instruments that do not qualify as hedges according to IAS 39, which are classified in ''Interest relative to gross financial debt'' in the combined statements of income;
- interest income relating to cash and cash equivalents;

Impact of discounting provisions for retirement benefits is recognized in operating income in ''Staff costs and employee benefits expense'' with the related charges.

2.7 Segment information

IFRS 8 *Operating Segments* requires segment information to be presented on the same basis as the one used for internal reporting purposes. As the Combined Group intends to report on that basis in the future, the three following operating segments have been identified:

- B2C operations
- B2B operations
- Wholesale services

B2C operations

The Combined Group provides residential and business clients with TV subscriptions services, broadband Internet, basic cable services, telephony and installations fees.

B2B operations

The Combined Group provides business customers with a comprehensive service offering, which includes data transmission and very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale services

The Combined Group sells network infrastructure-based services, including IRUs or bandwidth capacity on its network, to other telecommunications operators and offer related maintenance services.

2 Significant accounting policies (Continued)

2.8 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, 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 for temporary differences 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, branches and associates when the Combined 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.

Accordingly, for companies included in the scope of combination, a deferred tax liability may be recognized in the amount of taxes payable on planned dividend distributions by these companies.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in fiscal legislation and perspectives of recovering deductible temporary differences. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized in a predictable horizon.

2.9 Government grants and investment subsidies

Entities of the Combined Group may receive non-repayable government grants and investment subsidies in the form of direct or indirect funding of capital projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the combined statement of income, based on the pattern in which the related asset's expected future economic benefits are consumed.

2.10 Goodwill and Business Combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) and measured at the lower of their carrying amount and fair value less cost to sell.

The consideration transferred corresponds to the fair value, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Combined 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

2 Significant accounting policies (Continued)

acquirer's previously-held equity interest in the target, minus the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. This goodwill is recognized in assets in the combined statement of financial position. When the difference is negative, it is directly accounted in net income.

The secondary costs directly attributable to an acquisition giving the control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs which must be recorded according to standards IAS 32 *Financial Instruments: Presentation* (''**IAS 32**'') and IAS 39.

When goodwill is determined provisionally at the end of the period in which the combination is effected any adjustments to those provisional values within twelve months of the acquisition date are recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interest in a subsidiary that is already included in the scope of combination), the Combined Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27 (2008), with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the Combined Statement of Financial Position. Impairment relative to this goodwill is presented on the line ''Depreciation and amortization'' of the Combined Statement of Income.

Goodwill resulting from the acquisition of associates is included in the book value of the participation. Impairment relative to this goodwill is presented on the line ''Share in net income (loss) of associates''.

Goodwill is not amortized but is subject to an impairment test whenever there is any indication that an asset may be impaired and at least once a year according to the methods and hypotheses described in Note 15.

After initial recording, goodwill is recorded at cost less recorded accumulated impairment losses.

2.11 Intangible assets

Recognition and measurement principles

Intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce, and prepare the asset to be capable of operating. Intangible assets consist mainly of indefeasible rights of use, patents, acquired and internally generated software.

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 Combined Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are depreciated over the shorter of the expected period of use and the life of the contract between 3 and 20 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.

The cost of an internally generated intangible asset is the sum of personnel expenditures 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 shall be recognized if, and only 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;

2 Significant accounting policies (Continued)

– its intention to complete the intangible asset and use or sell it;

– its ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

  Among other things, the entity can 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 measure reliably 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 generated intangible asset arising from the development phase of an IT internal project is amortized on a straight-line basis over its expected useful life which generally does not exceed 3 years.

Conformity with agreements entered into with local authorities

To set up and operate its networks, the company has entered into various agreements with the local authorities and representative bodies under successive legal frameworks (French cable network plan, Freedom of Communication Act of 1986, etc.). Many of these agreements convey exclusive rights to the operator and also lay down obligations in terms of local television service provision, programming, pricing policy, and the associated license fees payable. Some of the agreements are public service concessions with ''return property'' clauses, whereby ownership of the technical plant and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, referred to as the ''Telecoms Package'', set forth the principle of open competition among operators in the telecommunications market, requiring national regulatory authorities to enforce fair competition conditions, without granting exclusive or special rights for setting up and operating networks. The French law of July 9, 2004, which transposed the Telecoms Package into French law, required existing agreements to be brought into compliance by the end of July 2007 at the latest, in order to remove all exclusive rights clauses and ensure the shared use of public civil engineering infrastructure.

The Combined Group believes that only a minority of the agreements entered into with the local authorities were classified as public service concessions when concluded and that IFRIC 12 does not apply, with the exception of the contract entered into in relation to the public service delegation arrangement with the department of Hauts-de-Seine (*Délégation de Service Public 92)*.

Service Concession agreement entered into with the department of Hauts-de-Seine

Sequalum, a subsidiary of the Combined Group, was selected in 2007 by the district of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home (''FTTH'') very-high-speed fiber network throughout the district under a Délégation de Service Public (''DSP''), called DSP 92. A DSP is a form of public—private partnership under French law pursuant to which a public authority entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question.

The terms of the service arrangement signed between Sequalum and the department of Hauts-de-Seine require Sequalum to construct the network—completing construction within 72 months—and maintain and operate the network to a specified standard for 25 years. At the end of the 25th year, the service arrangement will end.

2 Significant accounting policies (Continued)

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, ie a right to collect revenue from the network users. In accordance with IAS 38, Sequalum recognizes the intangible asset at cost, i.e. the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

Main characteristics of the agreement are:

Control and regulation of prices	Origin of the revenue	Subsidy granted by the grantor	Residual value	End of the agreement	Accounting model
Rates are defined in the service agreement	Users	€59 million subsidy to finance the construction	Network will be returned to the grantor with no indemnity, except for some assets (actifs de reprise)	Contract will end after 25 years	Intangible asset/financial receivable

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. With respect to network and technical equipment, amortization and depreciation are calculated on a straight-line basis and the main amortization and depreciation periods are as follows:

Network and technical and equipment	Method	Duration
Network hubs	Straight line	10 to 15 years
Optical cables	Straight line	15 to 30 years
Engineering facilities	Straight line	20 to 40 years
Connections	Straight line	5 years
Digital terminals	Straight line	3 to 5 years
Furniture	Straight line	5 to 10 years
Fixtures and fittings	Straight line	8 to 10 years
Transport equipment	Straight line	2 to 5 years
Office equipment	Straight line	3 to 5 years
Computer equipment	Straight line	3 to 5 years

Gains or losses on disposal of property, plant and equipment are calculated as the difference between the profit from the disposal and the carrying amount of the asset and are recognized as other operating income or expenses.

2.13 Lease arrangements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2 Significant accounting policies (Continued)

The Combined Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Combined 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 Combined Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Combined Group as lessee

Assets held under finance leases are initially recognized as assets of the Combined 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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Impairment of goodwill and non-current assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Combined Group re-examines the value of these assets. In addition, goodwill, other indefinite life intangible assets and intangible assets in progress are all subject to an annual impairment test during the second semester of each fiscal year.

This test is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit (''**CGU**'') to its carrying amount.

An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which are, for the Combined Group, ''B2C operations'', ''B2B operations'' and ''Wholesale services''

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or ''DCF'') by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

2 Significant accounting policies (Continued)

Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption ''Depreciation and amortization'' in the statement of income. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment may be reversed.

2.15 Financial assets

The Combined Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1.

Purchases and sales of all financial assets are accounted for at the settlement date.

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in companies that are not included in the combination. Fair value corresponds to the quoted price for listed securities or, for non-listed securities, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from equity to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

Available-for-sale financial assets are included in non-current asset unless management intends to dispose of the investment within 12 months of the statements of position date.

Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Combined Group has a positive intent and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest rate method.

2 Significant accounting policies (Continued)

They are reviewed for impairment on an individual basis if there is any indication they may be impaired. The Combined Group does not classify any financial asset in this category.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as financial income or expenses.

This category mainly includes:

– assets held for trading which the Combined 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, mainly set-top boxes, other 'TV boxes' and technical equipment, are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method and includes expenditures incurred in acquiring the inventories.

Net realizable 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 banks and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase.

2.18 Financial Liabilities

Financial liabilities other than derivative instruments include borrowings under the Senior Facility Agreement (''**SFA**''), debt related to finance leases, guarantee deposits, advances received, bank overdrafts.

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. The accrued interests are included in ''Current portion of financial liabilities'' in the statement of financial position.

2.19 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Combined Group enters into interest rate swaps and caps to manage its interest rate exposure. The objective is to convert variable interest rate financial instruments into fix interest rate financial instruments. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any these derivative instruments are recognized immediately in the statement of income within financial income and expenses.

2 Significant accounting policies (Continued)

2.20 Employee benefits, provisions and contingent liabilities

Provisions are recognized when the Combined Group has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that economic benefits in the form of outflow of resources will be required to settle the obligation and the obligation can be reliably estimated. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognized, but disclosed.

Employee benefits

The Combined Group participates in employee benefit plans through defined contribution plans, and defined benefit plans. The Combined Group accounts for pension costs related to defined contribution plans as they are incurred within personnel expenses in the statement of income.

Estimates of the Combined Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 *Employee Benefits* (IAS 19), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turn-over of beneficiaries, salary increases, the expected average life span, the probable future length of the employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized in profit and loss when they are incurred.

Litigations

The amount of provisions for litigation is based on the Combined Group's assessment of the level of risk and depends on its assessment of the basis for the claims.

Restructuring

Provisions for restructuring costs are recognized when the restructuring plans have been finalized and approved by the Combined Group's management, and when the Combined Group has raised a valid expectation, that it will carry out the plan either by starting to implement the plan or announcing its main features to employees affected by it. These provisions only include direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to the Combined Group, it does not take a substantial amount of time to get ready for the intended use because of the incremental deployment of the network. IAS 23 *Borrowing Costs* has consequently no impact on the Combined Financial Statements.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Combined Financial Statements in accordance with IFRS implies that the Group makes a certain number of estimates and assumptions that are realistic and reasonable.

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

In applying accounting policies during the preparation of the Combined Financial Statements, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Such estimates are prepared based on the going concern assumption, established using currently available information and the current economic environment. In the actual 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.

The preparation of these financial statements require management to make estimates and assumptions. Items subject to such estimates and assumptions mainly include:

- *Revenue recognition:* As indicated in Note 2.3, revenue under IAS 18 is measured at the fair value of the consideration received or to be received when the Combined Group has transferred the significant risks and rewards of ownership of a product to the buyer or when service is rendered. With respect to contracts that includes installation, connection and set-up fees for residential customers, significant judgment is required to determine whether the recognition criteria set forth in IAS 18 should be applied separately and whether installation, set-up and connection should be considered a separable service. With respect to service access fees for business clients, management estimates the statistical client lifetime duration and generally recognizes revenue ratably over the contractual engagement period, which is estimated at the inception of the arrangement based on historical information. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized could differ significantly.
- *Capitalization of development costs:* the criteria for capitalizing development costs are set out in Note 2.11. Once capitalized, these costs are amortized over the estimated useful lives of the respective products (generally 3 years). The Combined Group must therefore evaluate the commercial and technical feasibility of these development projects and estimate the useful lives of the products resulting from the projects. Should a product fail to substantiate these assumptions, the Combined Group may be required to impair or write off some of the capitalized development costs in the future. Note 13 provides information on the amount of capitalized costs in the combined statement of financial position.
- *Fair value of financial instruments* (see Note 27.3): fair value is determined by reference to the published market price at period end. For financial instruments for which there is no published market price in an active market such as the interest-rate swaps, which the Combined Group currently uses to hedge its interest rate risk, fair value is then estimated based on models that rely on market observable data or by the use of various valuation techniques, such as present value of future cash flows.
- *Recognition of deferred tax assets on unrealized tax loss carryforward* (see Notes 2.8 and 11): deferred tax assets relate primarily to tax loss carryforwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carryforwards are recognized if it is probable that the Combined Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Combined Group analyzes past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carryforwards. As of December 31, 2012, 2011 and 2010, in evaluating whether deferred tax assets should be recognized, management considered the weight of one form of negative evidence being a significant amount of cumulative losses in recent years and concluded that it is not probable that future taxable profit will be available against which the unused tax loss carryforward can be utilized. The application of this recognition principle has not resulted in any deferred tax asset recognized as at December 31, 2012, 2011 and 2010.

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

- *Impairment tests* (see Notes 2.10 and 15): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value net of disposal costs as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs as well as the discount rates.

  The determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, which may result in the recoverable amount to decrease below the carrying amount, and therefore, to the recognition of an impairment charge.

  As of December 31, 2012, 2011 and 2010, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

CGU "B2C operations"	2012	2011	2010
Length of projection period	8 years	8 years	8 years
Weighted average cost of capital	7.56%	8.18%	8.02%
Growth rate beyond projection period for terminal value	1.75%	1.75%	1.50%

CGU "B2B operations" and "Wholesale"	2012	2011	2010
Length of projection period	6 years	6 years	6 years
Weighted average cost of capital	9.42%	10.25%	9.77%
Growth rate beyond projection period for terminal value	1.00%	1.00%	1.00%

  The determination of the value in use has been determined by using cash flow projections based on financial budgets approved by senior management covering a planning period of respectively 6 and 8 years. The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers. The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

4 Significant events for the period

4.1 Year ended December 31, 2012

4.1.1 Bond Issuances

In 2012, Ypso France SAS issued several bonds in order to refinance part of its existing financial debt.

In February 2012, Ypso France SAS issued a €360 million bond. The issuer was Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg). The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the ''C-One'' Facility Loan) whose sole lender was the bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA for €350 million.

The notes mature on February 15, 2019 and bear interest of 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, Ypso France SAS also obtained a new Revolving Credit Facility under the SFA for which the maximum amount that can be drawn is €65 million (''Revolving Credit Facility''). The revolving Credit Facility matures in March 2016. The used amount under this facility bears interest equal to Euribor plus 4.5%. The unused amount under this facility, which amounts to €65 million as of December 31, 2012, bears interest equal to a commitment fee of 2.25%.

4 Significant events for the period (Continued)

According to the terms of the September 2011 Senior Facility Amendment and Restatement, maturities of certain lenders' commitments were extended by two years (comprising 50% of A and Capex Facilities and 2/3rd of B & C Facilities). Along with the extension of the maturities, the September 2011 Senior Facility Amendment and Restatement changed the margin level for the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Amendment and Restatement became effective on February 15th, 2012.

In October 2012, Ypso France SAS issued two other bonds for respectively €225 million and €275 million through the same issuer, Numericable Finance & Co. S.C.A. The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in two new loans, the ''C-Two A Facility Loan'' and the ''C-Two B facility Loan'', whose sole lender was the Lending Bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA for €490 million.

The ''C-Two A facility'' amounts to €225 million. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interests are paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The ''C-Two B facility'' amount to €275 million. It matures in October 2018 and bears a floating interest rate equal to three-month EURIBOR plus 7.85% per annum. Interests are paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

Ypso France SAS paid €55 million in fees in connection with the implementation of these new facilities (C-One Facility, C-Two A Facility and C-Two B Facility) and the relative amendments to the Senior Facility Agreement. This amount includes:

- Bond issuance costs of €30.2 million which are amortized over the length of the notes using the effective interest rate method (this represents an additional finance cost of €3.8 million in 2012 as disclosed in Note 10);
- Waiver fees of €17.4 million which are recorded in ''Other financial expense'' in the combined statement of income for the period ended December 31, 2012;
- Advisory fees of €7.4 million which are recorded in ''Other operating expenses'' in the combined statement of income for the period ended December 31, 2012.

4.1.2 Purchase of the network of Nice

In April 2012, the Combined Group signed an agreement with the city of Nice in order to purchase the cable network of Nice for a value of €20 million.

The purchase price repayment is scheduled as follows:

- €2.5 million were paid in July 2012 and €2.5 million in January 2013;
- The remaining €15 million are payable over 20 years (€0.75 million each year from 2013 to 2032) with interest of 4%.

4.1.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 11.5 have been extended to fiscal year 2010. In the meantime, tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of provision recognized in relation to these tax audits has not been adjusted as management believes that the financial risk related to penalties for fiscal year 2010 will represent the same amount as the reductions notified by the administration concerning the penalties for fiscal years 2005 to 2009.

4 Significant events for the period (Continued)

4.2 Year ended December 31, 2011

4.2.1 Disposal of Coditel Belgium and Coditel Luxembourg

In 2010, the management of Ypso France engaged in the sale of two subsidiaries: Coditel Belgium and Coditel Luxembourg. On May 19, 2011, the Group thus entered into a share purchase agreement with Altice, Deficom and Apax Partners to dispose of its activities in Belgium and Luxembourg. As a result, all of the outstanding shares in Coditel Belgium and Coditel Luxembourg were transferred on June 30, 2011 to Coditel Holding S.A., an entity based in Luxembourg, owned by Altice, Deficom and Apax MidMarket upon completion of the transaction. The proceeds from the sale of Coditel amounted to approximately €369 million.

In accordance with IFRS 5:

– the results of Coditel Belgium and Coditel Luxembourg are presented separately in the statements of income under ''Net income resulting from discontinued operations'' for all the periods presented;

– the cash flows from Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 statements of cash flows under ''Net cash flow from discontinued operations'' for all the periods presented.

The impact of the application of IFRS 5 is further detailed in Note 30.

4.2.2 Restructuring

In 2011, the merger between Altitude Telecom and Completel SAS led to a restructuring plan involving approximately 135 persons.

The costs related to this plan amounted to €4 million in 2011 and an additional provision of €4 million was recorded at December 31, 2011 in order to face all the expenses that the Combined Group planned to bear in 2012.

4.3 Year ended December 31, 2010

4.3.1 Purchase of Altitude Telecom

On December 29, 2010, the Combined Group acquired 100% of the shares of Altitude Telecom, a network operator mainly located in the West of France. The price of the transaction was approximately €58 million and was mainly financed through a new debt under the SFA, the ''C Facility'', for an amount of €45 million.

This operation generated an additional goodwill of €49 million in 2010.

4.3.2 Tax audits

As explained in Note 11.5, certain subsidiaries of the Combined Group (Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication and Completel SAS) are subject to tax audits by the French tax authorities.

In 2010, these tax audits have been extended from December 31, 2007 to December 31, 2009.

5 Segment information

As explained in Note 2.7, the Combined Group identified three operating segments which are:

– B2B operations

– B2C operations

– Wholesale services

5 Segment information (Continued)

The following tables provide, for each period presented, the contribution of each segment to the Combined Statements of Income (from ''Revenue'' to ''Operating income before depreciation and amortization'').

Intra-segments sales have been eliminated under the column ''Eliminations''.

FY 2012	B2C	B2B	Wholesale	Eliminations	FY 2012 Total
		(in thousands of euros)			
Revenue	**832,568**	**324, 506**	**211,476**	**(66,125)**	**1,302,425**
Purchases and subcontracting services	(386,060)	(178,420)	(103,766)	66,125	(602,121)
Staff costs and employee benefits expense	(77,592)	(57,186)	(6,697)	—	(141,475)
Taxes and duties	(19,902)	(7,569)	(4,926)	—	(32,396)
Provisions	(5,658)	(1,676)	(380)	—	(7,715)
Other operating income	68,096	21,108	26	—	89,229
Other operating expenses	(16,030)	(1,148)	—	—	(17,178)
Operating income before depreciation and amortization (EBITDA)	**395,422**	**99,615**	**95,732**	**—**	**590,769**

FY 2011	B2C	B2B	Wholesale	Eliminations	FY 2011 Total
		(in thousands of euros)			
Revenue	**835,256**	**331,099**	**201,134**	**(60,632)**	**1,306,856**
Purchases and subcontracting services	(385,001)	(196,681)	(100,647)	60,632	(621,697)
Staff costs and employee benefits expense	(73,451)	(60,975)	(6,609)	—	(141,034)
Taxes and duties	(18,884)	(5,697)	(3,694)	—	(28,275)
Provisions	(5,269)	(3,286)	598	—	(7,957)
Other operating income	60,175	20,147	89	—	80,412
Other operating expenses	(14,437)	(10,640)	—	—	(25,077)
Operating income before depreciation and amortization (EBITDA)	**398,390**	**73,967**	**90,872**	**—**	**563,229**

FY 2010	B2C	B2B	Wholesale	Eliminations	FY 2010 Total
		(in thousands of euros)			
Revenue	**836,802**	**253,353**	**159,825**	**(41,285)**	**1,208,695**
Purchases and subcontracting services	(356,409)	(150,266)	(92,413)	41,285	(557,803)
Staff costs and employee benefits expense	(74,815)	(47,219)	(5,137)	—	(127,170)
Taxes and duties	(21,437)	(5,283)	(3,411)	—	(30,131)
Provisions	(16,715)	537	(538)	—	(16,716)
Other operating income	46,637	17,300	386	—	64,324
Other operating expenses	(16,659)	(10,676)	1	—	(27,334)
Operating income before depreciation and amortization (EBITDA)	**397,405**	**57,746**	**58,714**	**—**	**513,865**

6 Revenue

Revenue by nature breaks down as follows:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands of euros)		
B2C revenues	826,171	830,299	832,566
B2B revenues	323,201	328,235	252,573
Wholesale revenues	153,053	148,323	123,556
Total revenues	**1,302,425**	**1,306,856**	**1,208,695**

7 Purchases and subcontracting services

Purchases and subcontracting services are primarily comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
TV Content, Internet and Telephony costs	(332,853)	(345,603)	(324,751)
Outsourcing and purchased services	(90,752)	(91,908)	(70,129)
Advertising fees	(30,120)	(30,993)	(22,197)
Fees paid to other third parties	(31,936)	(31,962)	(31,619)
Royalties and license fees paid	(12,089)	(12,810)	(14,031)
Rights of way paid	(15,316)	(15,983)	(14,241)
Rental and leasehold charges	(25,790)	(26,224)	(20,900)
Energy	(23,938)	(22,789)	(19,868)
Bad debt expense	(9,173)	(10,048)	(9,993)
Postal expenses	(4,378)	(4,676)	(5,158)
Transportation expenses	(4,286)	(4,643)	(3,155)
Repair and maintenance expenses	(11,911)	(13,321)	(10,577)
Miscellaneous operating expense	(9,579)	(10,736)	(11,184)
Purchases and subcontracting services	**(602,121)**	**(621,696)**	**(557,803)**

8 Other operating income

Other operating income is primarily comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Own work capitalized[(a)]	82,217	64,002	52,537
Proceeds from sale of assets	3,817	5,042	8,142
Other[(b)]	3,195	11,368	3,645
Other operating income	**89,229**	**80,412**	**64,324**

(a) Own work capitalized relates to network projects staffed by in-house employees resulting from increased upgrade activity of the cable footprint.

(b) In 2011, a fine of €10 million was paid by France Telecom as a result of a civil action enforced by the Court of Paris in March 2011 due to restrictive trade practices on the ADSL market in 2001 and 2002.

9 Other operating expenses

Other operating expenses are primarily comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Net book value of assets sold	(7,382)	(10,003)	(11,500)
Fees paid in connection with refinancing	(7,372)	(3,526)	(1,050)
Management fees paid to our shareholders	(2,424)	(11,509)	(14,651)
Miscellaneous operating expense	—	(39)	(133)
Other operating expense	**(17,178)**	**(25,077)**	**(27,334)**

Management fees have been paid to our shareholders, Altice, Cinven and Carlyle, in relation to certain management, financing and advisory services provided.

10 Finance costs, net

Finance costs, net as of December 31, 2012, December 31, 2011 and 2010 can be analyzed as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Interest income received on cash and cash equivalents	106	479	635
Other interest income	4,220	729	173
Interest Income	**4,326**	**1,208**	**808**
Change in fair value of interest rate derivatives	—	26,982	48,468
Interest expense on financing determined using the effective interest rate	(183,057)	(204,326)	(223,530)
Interest relative to gross financial debt	**(183,057)**	**(177,343)**	**(175,062)**
Other financial expenses	(32,699)	(9,883)	(4,162)
Finance costs, net	**(211,430)**	**(186,019)**	**(178,416)**

As of December 31, 2012, other financial expenses mainly included:

- Waiver fees of €17.4 million paid in connection with the refinancing of the debt;
- Amortization expense of €3.8 million calculated using the effective interest method related to fees paid in connection with the implementation of the new facilities (C-One Facility, C-Two A Facility and C-Two B Facility).
- Provisions for financial risks of €1.9 million.

As of December 31, 2012, other interest income mainly includes a first payment of €2.8 million received regarding the Claim with Lehman Brothers following the bankruptcy of Lehman Brothers in September 2008 (see Note 27.3).

11 Income tax

11.1 Income tax expense

Income tax expense is comprised of the following:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Current income tax expense	(2,486)	(13,387)	(3,841)
Deferred income tax expense	—	—	—
Income tax expense	**(2,486)**	**(13,387)**	**(3,841)**

11.2 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Net income (loss) before tax	87,416	82,385	30,401
Less: Share in net income (loss) of equity affiliates	199	309	(368)
	87,615	82,694	30,033
Corporate tax rate in France	34.43%	34.43%	34.43%
Income tax expense calculated at 34.43%	**(30,166)**	**(28,471)**	**(10,340)**
Reconciliation of income tax expense			
Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit[(1)]	(13,830)	(8,696)	24,724
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	41,083	23,731	(18,438)
Research tax credit (commonly known as the "CIR")	420	54	322
Effect of other differences	8	(3)	(107)
Income tax expense recognized in profit or loss	**(2,486)**	**(13,387)**	**(3,840)**
Effective tax rate[(2)]	2.84%	16.19%	12.79%

(1) For fiscal year 2012, amount mainly represents non-deductible interest expenses of €9.9 million as a result of the thin capitalization rules.

(2) The decrease in the effective tax rate from fiscal year 2011 to fiscal year 2012 is mainly due to the increase in the provision for tax audits (see Note 11.5) in 2011 of €10 million being recorded in income tax expense.

The tax rate used for the 2012, 2011 and 2010 reconciliations above is the corporate tax rate of 34.43% payable by corporate entities in France on taxable profits under tax law in that jurisdiction.

11.3 Current tax assets and liabilities

Tax refund receivables were not material as of December 31, 2012, December 31, 2011 and 2010.

The income tax payable is classified in "Current tax liabilities" and amounts to €2,604 thousand, €3,448 thousand and €194 thousand as of December 31, 2012, 2011 and 2010 respectively.

11 Income tax (Continued)

11.4 Unrecognized deferred tax assets

Aggregate unused loss carryforwards at December 31, 2012 amounted to €2,302 million representing a tax asset of €790 million. The tax asset for loss carryforwards was not recognized in the financial statements as its recovery depends on future earnings, which are uncertain.

The total net tax loss carryforward breaks down as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Ypso France and its subsidiaries	1,852,028	1,846,090	1,819,782
Altice B2B France and its subsidiaries	402,544	448,713	492,449
Ypso Holding Lux and Altice B2B Lux	47,785	235,890	235,328
Total tax loss carryforwards	**2,302,357**	**2,530,693**	**2,547,559**
Unrecognized deferred tax assets	**790,212**	**859,028**	**864,864**

Total tax loss carryforward includes a loss contested by the tax authorities (€56 million as of December 31, 2012).

11.5 Tax audits

Certain subsidiaries of the Combined Group, Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication and Completel SAS are subject to a tax audit by the French tax authorities for fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency for an amount of €25.1 million is recognized as of December 31, 2012 (€27 million as of December 31, 2011 and €15.7 as of December 31, 2010).

12 Goodwill

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Carrying amount, net:			
Balance as of the beginning of the year	1,458,638	1,458,585	1,618,485
Additional goodwill recognized during the period[(1)]	48	53	50,295
Disposal of Coditel	—	—	(210,195)
Balance as of the end of the year[(2)]	**1,458,686**	**1,458,638**	**1,458,585**

(1) In 2010, the additional goodwill of €50.3 million is mainly due to the acquisition of Altitude Telecom (as disclosed in the significant events) for €49.4 million.

(2) In January 2012, the Group acquired the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Group owned 95% of Sequalum Participation. The purchase price was €6 thousand for a negative equity value of (€41) thousand. Thus, this operation resulted in the recognition of an additional goodwill of €48 thousand.

The Combined Group is the result of a series of acquisitions.

12 Goodwill (Continued)

As at December 31, 2012, goodwill breaks down as follows:

	Net book value (in thousands of euros)
B2C Operations	984,583
B2B Operations	474,103
Total	**1,458,686**

13 Other intangible assets

	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
		(in thousands of euros)			
Gross value					
Balance as of January 1, 2012	5,384	649,724	35,949	39,392	**730,449**
Capital expenditures and additions	464	53,749	2,219	4,384	60,817
Reclassification	—	66	3,862	(3,929)	—
IFRIC 12*	—	17,195	—	—	17,195
Balance as of December 31, 2012	5,848	720,735	42,030	39,847	**808,462**
Cumulative amortization and Impairment					
Balance as of January 1, 2012	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Amortization expense	(1,199)	(78,726)	—	(6,190)	(86,115)
Reclassification	—	(12,299)	—	541	(11,758)
IFRIC 12*	—	(9)	—	—	(9)
Balance as of December 31, 2012	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Net book value					
Balance as of January 1, 2012	3,341	327,285	1,259	14,170	**346,056**
Balance as of December 31, 2012	2,606	307,262	7,340	8,976	**326,187**

(*) As explained in note 2.11, the Combined Group applied IFRIC 12 in 2012 with respect to the contract entered into in relation to the public service delegation arrangement with the department of Hauts-de-Seine (Délégation de Service Public 92).

13 Other intangible assets (Continued)

	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
		(in thousands of euros)			
Gross value					
Balance as of January 1, 2011	3,263	592,171	35,871	49,809	**681,114**
Capital expenditures and additions	2,121	29,352	78	4,048	35,599
Reclassification	—	28,242	—	(14,464)	13,778
Disposals	—	(41)	—	—	(41)
Balance as of December 31, 2011	5,384	649,724	35,949	39,392	**730,449**
Cumulative amortization and Impairment					
Balance as of January 1, 2011	(760)	(246,133)	(34,660)	(22,767)	**(304,323)**
Amortization expense	(1,283)	(71,619)	(30)	(7,158)	(80,090)
Reclassification	—	(4,687)	—	4,703	16
Disposals	—	—	—	—	—
Balance as of December 31, 2011	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Net book value					
Balance as of January 1, 2011	2,503	346,038	1,211	27,041	**376,793**
Balance as of December 31, 2011	3,341	327,285	1,259	14,170	**346,056**

	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
		(in thousands of euros)			
Gross value					
Balance as of January 1, 2010	7,771	573,245	33,944	23,492	**638,453**
Capital expenditures and additions	2,134	18,993	—	10,996	32,124
Business combinations	8	4,067	30	15,321	19,426
Disposal of Coditel	(6,650)	(2,855)	—	—	(9,505)
Reclassification	—	(1,279)	1,897	—	618
Balance as of December 31, 2010	3,263	592,171	35,871	49,809	**681,114**
Cumulative amortization and Depreciation					
Balance as of January 1, 2010	(5,372)	(255,933)	(33,700)	(5,982)	**(300,987)**
Amortization expense	(535)	(69,588)	—	(6,151)	(76,274)
Depreciation expense	—	—	—	—	—
Business combinations	(8)	(3,673)	—	(4,858)	(8,539)
Disposal of Coditel	5,155	2,373	—	—	7,528
Reclassification	—	80,688	(960)	(5,777)	73,951
Balance as of December 31, 2010	(760)	(246,133)	(34,660)	(22,767)	**(304,320)**
Net book value					
Balance as of January 1, 2010	2,400	317,309	244	17,510	**337,463**
Balance as of December 31, 2010	2,503	346,038	1,211	27,041	**376,793**

13 Other intangible assets (Continued)

Usage rights represent the majority of the "usage rights, patents and licenses" balances. They reflect the rights to use the civil engineering installations and infrastructure built by the historical operator, France Telecom.

The application of this principle had the following impacts on the 2012 combined statement of financial position:

– Recognition of the net book value of €17.2 million classified in "Other intangible assets" (€26.6 million of investments less €9.5 million of grants received at December 31, 2011);

– Recognition of €26.4 million of capital expenditures in 2012 in "Usage rights, patents and licenses" (€38.0 million of investments less €11.5 million of grants received in 2012).

In addition, €26.4 million of capital expenditures have been incurred in relation to the public service delegation arrangement with the department of Hauts-de-Seine (Délégation de Service Public 92) and are classified in investing activities in the combined statements of cash flows.

14 Property, plant and equipment

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross value						
Balance as of January 1, 2012	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Capital expenditures and additions	1	4,083	244,244	2,470	8,934	259,732
Business combinations	—	—	—	—	—	—
Disposals	—	(1,496)	(31,058)	—	(625)	(33,179)
Reclassification	—	69,435	(62,919)	(4,087)	(2,522)	(93)
IFRIC 12	—	—	(8,095)	(9,100)	—	(17,195)
Balance as of December 31, 2012	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Cumulative amortization and Impairment						
Balance as of January 1, 2012	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Amortization expense	(2)	(5,194)	(191,812)	—	(5,247)	(202,255)
Depreciation expense	—	—	—	(3,355)	—	(3,355)
Reversal of depreciation expense	—	—	—	—	—	—
Disposals	—	1,295	24,028	—	618	25,941
Reclassification	—	(68,394)	77,622	—	2,535	11,763
IFRIC 12	—	—	9	—	—	9
Balance as of December 31, 2012	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Net book value						
Balance as of January 1, 2012	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**
Balance as of December 31, 2012	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**

14 Property, plant and equipment (Continued)

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross value						
Balance as of January 1, 2011	1,352	54,532	2,307,505	72,318	92,708	**2,528,415**
Capital expenditures and additions	—	1,952	217,190	19,421	7,702	246,265
Business combinations	—	—	—	—	—	0
Disposals	(31)	(273)	(35,383)	—	(1,753)	(37,440)
Reclassification	—	13,943	(29,530)	—	831	(14,756)
Balance as of December 31, 2011	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Cumulative amortization and Impairment						
Balance as of January 1, 2011		(24,649)	(1,080,272)	(678)	(81,913)	**(1,187,512)**
Amortization expense	—	(5,143)	(199,322)	—	(9,314)	(213,779)
Depreciation expense	—	—	—	(1,333)	—	(1,333)
Reversal of depreciation expense	—	—	—	678	—	678
Disposals	—	272	26,016	—	1,749	28,037
Reclassification	—	(11,686)	11,979	—	(304)	(11)
Balance as of December 31, 2011	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Net book value						
Balance as of January 1, 2011	1,352	29,883	1,227,233	71,640	10,795	**1,340,903**
Balance as of December 31, 2011	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**

14 Property, plant and equipment (Continued)

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross value						
Balance as of January 1, 2010	1,422	48,612	2,172,666	79,357	104,504	**2,406,561**
Capital expenditures and additions	—	862	208,387	651	4,060	213,960
Business combinations	—	5,764	19,414	288	4,033	29,499
Disposals, other than Coditel	—	—	(46,690)	(4,361)	(793)	(51,844)
Disposal of Coditel	(70)	(706)	(51,168)	—	(19,150)	(71,094)
Reclassification	—	—	4,896	(3,617)	54	1,333
Balance as of December 31, 2010	1,352	54,532	2,307,505	72,318	92,708	**2,528,415**
Cumulative amortization and Depreciation						
Balance as of January 1, 2010	—	(19,323)	(924,084)	—	14,551	**(928,856)**
Amortization expense	—	(4,170)	(201,112)	—	(20,521)	(225,803)
Depreciation expense	—	—	—	(678)	—	(678)
Business combinations	—	(2,933)	(10,041)	—	(3,238)	(16,212)
Reversal of depreciation expense	—	—	29,685	—	765	30,450
Disposals, other than Coditel	—	—	328	—	—	328
Disposal of Coditel	—	222	14,061	—	12,978	27,261
Reclassification	—	1,555	10,891	—	(86,448)	(74,002)
Balance as of December 31, 2010	—	(24,649)	(1,080,272)	(678)	(81,913)	**(1,187,512)**
Net book value						
Balance as of January 1, 2010	1,422	29,289	1,248,582	79,357	119,055	**1,477,705**
Balance as of December 31, 2010	1,352	29,883	1,227,230	71,641	10,796	**1,340,903**

The net book value of assets classified as finance leases breaks down as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Land	1,029	1,029	1,029
Buildings	6,868	7,179	7,489
Technical equipment	31,632	25,897	18,886
Other	160	108	200
	39,689	**34,213**	**27,604**

15 Impairment test

15.1 Allocation of goodwill to the cash-generating units (“CGU”)

In accordance with IAS 36 *Impairment of assets* (‘‘**IAS 36**’’), goodwill has been allocated to two CGUs. The first CGU, ‘‘B2C operations’’ includes the operational subsidiaries from the Ypso group, namely Numericable, NC Numericable and Est Videocommunication. The second CGU, ‘‘B2B operations’’, corresponds to the main operating entity of the Altice group, Completel SAS.

15.2 Key assumptions used to determine the recoverable amount of the CGUs

The impairment test of goodwill is done based on the respective cash generating units defined above. In accordance with IAS 36 *Impairment of Assets*, the impairment test is performed by comparing the

15 Impairment test (Continued)

carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow approach.

The determination of the value in use has been established by using cash flow projections based on financial budgets approved by senior management covering a planning period of respectively 8 years (CGU B2C) and 6 years (CGU B2B). The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers.

The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

As mentioned in Note 3, the determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, which may result in the recoverable amount to decrease below the carrying amount, and therefore to the recognition of an impairment charge.

No impairment has been recognized for any of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2012, 2011 and 2010:

CGU "B2C operations"	2012	2011	2010
Length of projection period	8 years	8 years	8 years
Discount rate applied to the cash flow projections	7.56%	8.18%	8.02%
Growth rate beyond ("GTP") projection period for terminal value	1.75%	1.75%	1.50%

In terms of 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 €145 million. Likewise, a change of plus or minus 0.25% in the GTP rate would increase or decrease the recoverable amount by approximately €100 million.

As of December 31, 2012, the amounts by which the key assumptions would have to change for the change to result in the recoverable amount equaling the carrying amount are as follows:

- WACC increase from 7.56% to 10.60%;
- GTP rate decrease point from 1.75% to −3.62%;
- Gross margin fall by 10.1% from an average gross margin of 49.4% to an average gross margin of 39.3%.

CGU "B2B operations"	2012	2011	2010
Length of projection period	6 years	6 years	6 years
Discount rate applied to the cash flow projections	9.42%	10.25%	9.77%
Growth rate beyond projection period for terminal value	1.00%	1.00%	1.00%

In terms of sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by roughly €60 million. Likewise, a change of plus or minus 0.25% in the GTP rate would increase or decrease the recoverable amount by approximately €40 million.

As at December 31, 2012, the amounts by which the key assumptions would have to change where the change would result in the recoverable amount equaling the carrying amount are as follows:

- WACC increase from 9.42% to 18.75%;

15 Impairment test (Continued)

- GTP rate decrease from 1% to −26.25%;
- Gross margin fall from an average gross margin of 38.9% to an average gross margin of 24.4%.

16 Investment in associates

The Combined Group exercises significant influence over Alsace Connexia Participation, an associate accounted for under the equity method of accounting. Alsace Connexia Participation was initially owned 38.14% by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the equity interest held by Sogetrel Réseaux and now holds a controlling interest (61.86%) in Alsace Connexia Participation.

Alsace Connexia Participation owns a 70% stake in Alsace Connexia, which has been granted a public service concession by the regional authority of Alsace to design, build, fund, operate and market telecommunications infrastructure in the region over a 15-year period. The concession contract took effect on February 3, 2005.

The following tables provide information on the net assets and operating results of Alsace Connexia Participation:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Net assets	8,888	9,413	10,227
Share of net assets of Ypso France SAS	3,378	3,577	3,886

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Turnover (Alsace Connexia)	13,050	12,027	12,674
Net income (loss)	(524)	(815)	968
Share of net income (loss) of Ypso France SAS	(199)	(310)	368

17 Other current and non-current financial assets

	Current			Non-current		
	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)					
Interest-rate derivatives	—	—	—	5	313	2,380
Investments in entities that are not comprised in the combination classified as available-for-sale	—	—	—	35	52	71
Other financial assets	4,034	42	249	6,791	7,396	4,920
Total financial assets	**4,034**	**42**	**249**	**6,831**	**7,761**	**7,371**

As disclosed in Note 27.3, the Combined Group enters into interest rate caps to manage its interest rate exposure but these derivatives do not qualify as hedges for accounting purposes according to IAS 39. Accordingly, changes in the fair value of any of these derivative instruments are recognized immediately

17 Other current and non-current financial assets (Continued)

in the statement of income as part of finance costs, net as these interest-rate derivatives are directly related to the application of our interest rate risk management policy even though they do not qualify for hedge accounting under IAS 39.

Such interest-rate derivatives are presented as non-current financial assets because they are not held primarily for trading purposes, designated under a non-qualifying hedge accounting relationship.

In 2009, the Combined Group entered into interest rate options, referred to as caps in order to compensate if interest rates rise above a predetermined rate (strike rate). Caps are measured at their fair values and classified as a non-current financial asset for €5 thousand as of December 31, 2012 and €313 thousand as of December 31, 2011.

The investments in entities not comprised in the combination and classified as available-for-sale financial assets are related to equity interests held by the Combined Group in entities not comprised in the combination such as Cable Toulousain de Videocom, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the combination due to the Combined Group's lack of control or influence over them.

As at December 31, 2012, other financial assets include €4 million of cash pledged in the context of the DSP 92 (see Note 2.11). Remaining amounts correspond to deposits made by the group (building leases, ...).

18 Inventories

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Gross value	46,808	40,033	35,035
Valuation allowance	(1,199)	(1,035)	(1,035)
Net book value	**45,609**	**38,998**	**33,843**

Inventories are primarily comprised of set-top boxes used to receive programming distributed via digital channels. The amount of inventory write-downs to net realizable value recognized is immaterial for 2012, 2011 and 2010.

19 Trade receivables and other receivables

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Trade receivables	272,864	248,239	242,379
Valuation allowance	(27,167)	(26,770)	(33,069)
Trade receivables, net	**245,697**	**221,469**	**209,310**
Advances and down payments	2,211	2,090	4,691
Current accounts receivable	50	50	2,075
Tax and social security receivables	141,806	117,961	117,358
Prepaid expenses	18,025	8,155	9,019
Other current receivables	9,582	13,256	14,637
Trade receivables and other receivables, net	**417,371**	**362,981**	**357,090**

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. Due to their short-term maturity, fair value and amortized cost approximate the

19 Trade receivables and other receivables (Continued)

nominal amount of trade receivables. Trade receivables are primarily from our B2C customers, a large number of customers, spread across diverse geographical areas.

B2C Customers

The average credit term for residential customers is 5 days. No interest is charged on outstanding balances. As of December 31, 2012, the Combined Group has reserved 81% of the B2C customers receivables that were over 90 days past due. This reserve was estimated considering that historically only 19% of receivables that are over 90 days past due are recoverable. Allowances for doubtful accounts are recognized against trade receivables that are between 0 and 90 days past due based on estimated uncollectible amounts which are determined based upon to the counterparty's past default experience and an analysis of the counterparty's current financial position.

B2B Customers

As at December 31, 2012, the Combined Group has reserved 60% of the B2B customers' receivables that were over 90 days past due based on historical experience evidencing that 40% of receivables that are past due beyond 90 days are collectable.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Combined Group has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered collectable. The Combined Group does not hold any collateral or other credit enhancements against these balances nor does it have a legal right of offset against any amounts owed by the Combined Group to the counterparty.

Ageing of past due receivables	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Not due	121,232	101,927	73,809
0-90 days	62,825	43,983	53,739
>90 days	88,808	102,329	114,831
Total	**272,864**	**248,239**	**242,379**

The concentration of credit risk is limited due to the customer base being large and unrelated. There is no customer which represents more than 5% of the total balance of trade receivables.

Change in valuation allowance for trade receivables is as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Balance as of the beginning of the year	**(26,770)**	**(33,068)**	**(32,558)**
Additional allowance	(9,322)	—	(6,435)
Bad debt expense	8,925	4,395	3,746
Reversal of valuation allowance	—	1,903	—
Receivables classified as held for sale	—	—	2,924
Business combinations	—	—	(745)
Balance as of the end of the year	**(27,167)**	**(26,770)**	**(33,068)**

20 Cash and cash equivalents

Cash and cash equivalents presented in the combined statements of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the combined

20 Cash and cash equivalents (Continued)

statements of cash flows and cash and cash equivalents presented in the combined statements of financial position is presented below:

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Cash on hand	7,996	40,580	30,897
Cash equivalents	—	—	—
Cash and cash equivalents presented in the combined statements of financial position	**7,996**	**40,580**	**30,897**
Cash from discontinued operations	—	—	3,656
Bank overdrafts classified as financial liabilities in the combined statements of financial position	—	—	—
Cash and cash equivalents presented in the combined statements of cash flows	**7,996**	**40,580**	**34,553**

As of December 31, 2012, 2011 and 2010, the Combined Group had no cash equivalents.

21 Invested equity

As of December 31, 2012, 2011, 2010 and January 1, 2010, the invested equity consisted of the sum of the individual share capital amounts and consolidated reserves of the Ypso and Altice B2B sub-groups.

21.1 Dividends

During the years ended December 31, 2012, 2011 and 2010, the Combined Group did not distribute dividends to its shareholders. The Combined Group does not expect to distribute dividends in 2013.

21.2 Capital risk management

The Combined Group manages its capital to ensure that entities in the Combined Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balances, especially through early repayments of debt. The Combined Group's overall strategy remains unchanged from 2010 to 2012.

The capital structure of the Combined Group consists of net debt (financial liabilities as detailed in Note 22 offset by cash and cash equivalents) and equity of the Combined Group (including reserves, retained earnings and non-controlling interests as detailed above and in the combined statements of changes in equity).

22 Financial liabilities

Total financial liabilities are comprised of:

		Current			Non-current		
	Note	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2012	December 31, 2011	December 31, 2010
				(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	22.1	93,187	170,300	186,453	2,707,498	2,701,109	2,953,503
Perpetual subordinated notes	22.2	—	—	—	35,208	32,880	30,710
Financial liabilities under finance leases	29.2	19,432	19,967	9,618	7,886	9,631	14,776
Other financial liabilities	22.4	2,113	1,297	1,097	131,234	125,359	118,316
Total loans and financial liabilities		**114,732**	**191,564**	**197,168**	**2,881,826**	**2,868,979**	**3,117,306**
Interest-rate derivatives		—	—	21,580	—	1,106	6,508
Deposits received from customers	22.3	—	—	—	44,517	42,896	50,712
Bank overdrafts		—	—	—	—	—	—
Total financial liabilities . . .		**114,732**	**191,564**	**218,748**	**2,926,343**	**2,912,981**	**3,174,526**

The schedule of financial liabilities under the *Senior Facility Agreement* has been modified as a result of the renegotiations that occurred in July and August 2013 as described in note 32.

22.1 Financial liabilities under Senior Facility Agreements

Senior Facility agreement granted to Ypso

The Combined Group entered into a Senior Facility Agreement dated June 6, 2006 (as amended and restated on July 18, 2006, July 28, 2006 and March 2, 2007, as amended by a letter dated June 24, 2008, as amended and restated on December 9, 2009 and September 8, 2011 and as amended by a letter dated January 12, 2012 and accepted by the Agent on January 24, 2012 and amended most recently by a letter dated September 25, 2012 and accepted by the Agent on October 12, 2012) with BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch and Morgan Stanley Bank International Limited, as the Mandated Lead Arrangers, BNP Paribas as Agent and Security Agent and others lenders (the ''Senior Facility Agreement'' or the ''SFA''). In addition, certain subsidiaries of the Combined Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors under the SFA.

The initial amount available under the SFA was €3,225 million. The outstanding balance on this loan amounts to €2,347 million as of December 31, 2012.

The SFA contains financial covenants, which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA (see details below).

Senior Facility agreement granted to Altice

The Combined Group entered into a Senior Facility Agreement dated August 29, 2007 (as amended and restated on March 12, 2008, on August 12, 2008, on September 30, 2009, on December 10, 2010 and on February 28, 2011) with CALYON as Mandated Lead Arranger and Security Agent and others lenders (the ''Senior Facility Agreement'' or the ''SFA''). In addition, certain subsidiaries of the Combined Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors under the SFA.

The initial amount available under the SFA was €551 million. The outstanding balance on this loan amounts to €453 million as of December 31, 2012.

22 Financial liabilities (Continued)

The SFA contains financial covenants, which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA (see details below).

Refinancing of the debt in 2012

In 2012, as disclosed in the Significant Events note, the Group issued three bonds in order to refinance part of its existing short-term debt under the SFA. The issuer of the bonds is Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg).

The proceeds from the notes have been used by Numericable Finance & Co. to fund three new loans issued by the Lending Bank (JP Morgan) under the Senior Facility Agreement to Ypso France SAS:

- a C-One facility of €360 million;
- a C-Two A facility of €225 million;
- a C-Two B facility of €275 million.

In 2012, the September 2011 Senior Facility Amendment and Restatement became effective. This Amendment and Restatement split all the Facilities in two, with non-extended and extended facilities referred to Facility I and Facility II respectively. Extended and non-extended facilities have different maturity dates (extended facilities maturities are two year later than the ones of the non-extended maturities) and a different pricing (see table below).

Facility	Maturity
A (Recap) I	June 15, 2013
A (Recap) II	June 6, 2015
A (Acq) I	June 15, 2013
A (Acq) II	June 6, 2015
B (Recap) I	June 15, 2014
B (Recap) II	June 6, 2016
B (Acq) I	June, 15, 2014
B (Acq) II	June 6, 2016
C (Recap) I	December 31, 2015
C (Recap) II	December 31, 2017
C (Acq) I	December 31, 2015
C (Acq) II	December 31, 2017
Capital Investment I	June 15, 2013
Capital Investment II	June 6, 2015
Additional Revolving Facility	No earlier than March 31, 2016

Guarantees and Security

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several bases by each guarantor under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge over the shares of Ypso France SAS and certain of its subsidiaries.

Covenants

The availability of the senior facilities mentioned in Note 22.1 is not dependent upon the Combined Group's credit ratings but rather is conditioned upon its compliance with a financial covenant related to the capacity of the Combined Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain

22 Financial liabilities (Continued)

agreed exceptions, including covenants restricting the ability of the Combined Group to, among other things:

- amalgamate, merge or consolidate with any other person or be the subject of any reconstruction or materially change the nature of the business of the Combined Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or all or any part of its undertaking or agree to do so;
- enter into a material transaction that would not be on an arm's length basis and for full market value;
- make acquisitions or investments;
- open or maintain an account with a bank or other financial institution providing like services other than a bank or credit institution entitled to engage in banking transactions in France, Belgium or Luxembourg;
- allot or issue shares or securities;
- change the end of its fiscal year.

The Senior Facility Agreement also requires the Combined Group to comply with the following financial covenants:

- a maximum ratio of consolidated total net borrowings to annualized EBITDA;
- a minimum ratio of consolidated cash flows to consolidated total debt service;
- a minimum ratio of annualized EBITDA to consolidated total net cash interest payable; and
- a maximum level of capital expenditures per fiscal year.

Compliance is tested quarterly and audited annually as of December 31 when we release our consolidated financial statements under French GAAP. Since the SFA was established, the Combined Group has complied every year with the financial covenants included in the agreement.

As required under the SFAs, the covenants are based on financial measures that are determined in accordance with French GAAP and not IFRS and, as a result, the definition of ''Annualized EBITDA'' set forth in the SFA is different from the EBITDA as it appears in the combined statement of income in accordance with IFRS.

Annualized EBITDA is calculated by adding EBITDA for the last two quarters and multiplying the result by two, and thus cannot be reconciled with EBITDA disclosed in the financial statements prepared under French GAAP.

22.2 Perpetual subordinated notes (''TSDI'')

In 2006, €23.7 million of perpetual subordinated notes (''Titres Subordonnés à Durée Indéterminée'' or ''**TSDI**'') were issued by a subsidiary of the Combined Group, NC Numericable to a single subscriber, the GDF Suez Group (Vilorex) (excluding capitalized interest). The proceeds of this borrowing are to be used for financing the construction of connectors in towns in the southern part of the SIPPEREC (''Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication''), which is a group of cities located in the Paris metropolitan area. The perpetual subordinated notes bear interest at a rate of 7% per annum. Interest on the notes is capitalized. Interest amortization is conditional. The total accrued interest payable on the notes amounted to €11.6 million and €9.2 million as of December 31, 2012 and 2011, respectively, and has been classified as non-current in the table above in Note 22.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Combined Group to reimburse the notes according to the terms of the

22 Financial liabilities (Continued)

contract. Pursuant to this contract, the payment of interest and the reimbursement of the debt are contingent upon the level of cash inflows generated; however, the Combined Group does not have an unconditional right to avoid delivering cash. As a consequence, the instrument is recognized as a financial liability at amortized cost according to IAS 32.

22.3 Deposits received from customers

Deposits received from customers amount to €44.5 million, €42.9 million and €50.7 million as of December 31, 2012, 2011 and 2010 respectively. These deposits are made when customers receive equipment from the company and are reimbursed when customers terminate their subscriptions only if the customers have paid all outstanding invoices and have returned the equipment. For each year end, the guarantee deposits were recorded as items due within more than one year.

22.4 Other financial liabilities

As of December 31, 2012, other financial liabilities are mainly comprised of the following:

- Debt of €128,962 thousand owed by Ypso Holding Lux S.a.r.l. to the shareholders. This subordinated shareholder debt is planned to be entirely reimbursed when the shares of the Company are admitted for negotiations on Euronext Paris.
- Debt of €2,374 thousand owed by Numericable to several banks (mainly *Caisse d'Epargne d'Alsace-Lorrraine*).

23 Provisions and contingent liabilities

The nature and change in provisions for the years ended December 31, 2012, 2011 and 2010 are as follows:

	January 1, 2012	Increase	Utilization	Reversal	Reclass.	December 31, 2012
			(in thousands of euros)			
Provisions for retirement benefits	6,101	2,357	—	(3)	—	8,455
Provisions for litigation with employees	3,604	1,183	(719)	—	—	4,068
Provisions for commercial litigation	21,935	6,252	(8,829)	(1,315)	—	18,043
Tax contingencies*	26,977	212	(2,093)	—	—	25,096
Other	13,227	1,395	(3,902)	—	—	10,720
	71,845	11,399	(15,543)	(1,318)	—	66,382

* Refer to Note 11.5.

23 Provisions and contingent liabilities (Continued)

	January 1, 2011	Increase	Utilization	Reversal	Reclass.*	December 31, 2011
			(in thousands of euros)			
Provisions for retirement benefits	5,545	576	—	(20)	—	6,101
Provisions for litigation with employees	7,789	749	(689)	(3,495)	(750)	3,604
Provisions for commercial litigation	865	11,441	(215)	(2,068)	11,912	21,935
Tax contingencies	16,224	10,861	(108)	—	—	26,977
Other	18,254	6,135	—	—	(11,162)	13,227
	48,677	29,762	(1,012)	(5,583)	—	71,845

* this reclassification made in 2011 mainly relates to Commercial risks that were classified as ''Other'' at January 1, 2011 and reclassified as ''Provisions for commercial litigation'' at December 31, 2011.

	January 1, 2010	Increase	Utilization	Reversal	Reclass.	Disposal of Coditel	December 31, 2010
			(in thousands of euros)				
Provisions for retirement benefits	10,697	1,078	—	(21)	1	(6,210)	5,545
Provisions for litigation with employees	6,396	3,598	(1,003)	(1,411)	209	—	7,789
Provisions for commercial litigation	9,219	197	(162)	(5,102)	(3,287)	—	865
Tax contingencies	13,045	4,959	—	(1,395)	—	(385)	16,224
Other	7,841	9,558	(1,373)	—	3,078	(851)	18,253
	47,198	19,390	(2,538)	(7,929)	1	(7,446)	48,677

Provisions are primarily non-current as of December 31, 2012, 2011 and 2010.

The Combined Group is involved in legal and administrative proceedings that have arisen in the ordinary course of business.

A provision is recorded by the Combined Group when there is a sufficient probability that such disputes will lead to costs that the Combined Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the Combined Group are involved in a certain number of disputes in the ordinary activities of the Combined Group. Only the most significant disputes and proceedings in which the Combined Group is involved are described below.

Other than as discussed below, the Combined Group does not expect the legal proceedings in which it is involved, or with which it has been threatened, to have a material adverse effect on its business or on its combined financial position.

23.1 Tax matters

The French tax authorities have conducted audits on various companies of the Combined Group since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the Combined Group allocates a price reduction compared to the price the Group would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the Combined Group had deemed the price reduction to apply primarily to the television services portion of our packages.

23 Provisions and contingent liabilities (Continued)

The French tax authorities assert that these price reductions should have been computed pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Combined Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Combined Group asked the Ministry of Finance in December 2011 for a settlement of all the rectifications proposed by the Administration for all the companies of the Combined Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for fiscal years 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on the composite VAT which was effective from 2008 to 2010. The new amounts of rectifications, amounting to €17.3 million (except penalties of 40%) for fiscal years 2006 to 2009, were communicated to the Combined Group at the end of August 2012.

Furthermore, in 2012, the Tax authorities have also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, for a total amount of €6.1 million (except penalties of 40%). The Combined Group contested the proposed assessments at the end of August 2013.

The Tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million). The Combined Group asked for a payment deferral and deposited a complaint in September 2012 which was rejected by the Tax authorities on June 27, 2013. The Combined Group filed an additional request on August 20, 2013.

As of December 31, 2012, a tax provision of €25.1 million was recognized, including all the risks related to VAT (except the penalties of 40% which represents €7.1 million) related to the reassessments notified for fiscal years 2006 to 2010 (i.e. €23.5 million). The Group contested the proposed notifications on August 21, 2013. Fiscal year 2011 is not subject to a tax audit.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

23.2 Commercial disputes

23.2.1 Dispute with Orange relating to certain IRUs

The Combined Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by the Combined Group of certain companies which operated 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 Combined Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years. Following the ARCEP's decision 2008-0835 of July 24, 2008, Orange published on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such 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 Combined Group benefit from under the Orange IRUs. As a result, Orange requested the Combined Group to comply with the general rules regarding accessing Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated and both the ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. We appealed the decision before the French Supreme Court (Cour de Cassation) but it upheld, for the most significant part, the decision of the Paris Court of Appeal on September 25, 2012.

Moreover, on October 21, 2011, the ARCEP initiated penalty proceedings against the Combined Group, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, the Combined Group executed Orange amendments to the IRUs in order to comply with the

23 Provisions and contingent liabilities (Continued)

November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by the ARCEP were not stopped by the execution of the amendments to the IRUs and we were sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with the ARCEP November 4, 2010 decision. The Combined Group appealed this decision before the Conseil d'Etat. The case is still pending. Within the framework of this appeal, Numericable raised a constitutionality question, that was sent back to the Constitutional Council, on the conformity with the Constitution of the Article L. 36-11 of the CPCE which plans the powers of penalty of the ARCEP. On July 5, 2013, the Constitutional Council granted Numericable's request and invalidated paragraphs 1 to 12 of the Article L. 36-11 of the CPCE on the foundation of which the decision of penalty of the ARCEP of December 20, 2011 mentioned above was returned. Numericable asked the Council of State to give effect to this decision and to accordingly invalidate the decision of the ARCEP of December 20, 2011.

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 Combined Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image and claims damages of €50 million. The Paris Court of Appeal is expected to render its decision during the second quarter of 2014.

23.2.2 Dispute with Free relating to the advertising of mobile services

On August 3, 2011, a claim was filed against Numericable SAS and NC Numéricable before the Commercial Court of Paris by telecommunication operator Free in relation to the launch of the mobile offer by the Combined Group in spring 2011 through an advertising campaign entitled ''The mobile revolution''.

Free, who used the term ''revolution'' to refer to its initial launch of mobile phone services and whose latest offering was named the ''Freebox Revolution'', argues that our campaign led to customer confusion and damaged its brand and image. Free claims damages of €10.0 million. The case is currently pending before the Paris commercial court. After the hearing, the Court asked for an opinion of the ''direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF)'' as to whether the assertions of Free were justified with regards to the laws of advertising. The DGCCRF issued an opinion in which it indicated that the questions raised by Free did not constitute a fault under unfair competition law. The ruling of the Commercial Court of Paris is expected during the second half of 2013.

23.2.3 Dispute with Orange relating to unpaid invoices

Orange filed a claim against Numericable before the Paris Commercial Court on September 6, 2011. Orange claimed that invoices in the amount of €3.1 million remained unpaid. These invoices related to physical infrastructure occupied by Numericable between 2005 and 2007, following the sale by Orange of its cable networks for Numericable. Numericable argued that Orange prevented the Combined Group from moving out of these infrastructures and therefore that the litigation's invoices were not due. Orange filed another claim against Numericable before the Paris Commercial Court on February 1, 2012 and, for similar grounds, claiming that invoices in the amount of €0.5 million remained unpaid. These cases are still pending before the Paris Commercial Court. The date of the hearing has not been settled yet.

23 Provisions and contingent liabilities (Continued)

23.2.4 Disputes with various providers of value-added services (VAS)

By related complaints dated February 10th, 2013, five providers of value-added telephony services which offer their services to the public through surcharged numbers (0899), commenced litigation against Completel before the Commercial Court of Nanterre. Those companies asked for the condemnation of Completel to the payment of €350,000 for the repayment of sums corresponding to restraints made by Completel from the amounts it collected on their behalf.

Completel withheld these amounts in response to the practices of these these companies which in Completel's view violate their agreements with Completel as well as the industry's ethics rules. They seek damages of a global amount of €12 million.

Furthermore, in November 2012, Completel decided to terminate this activity, and suspended certain repayments and applied various contractual penalties to companies marketing this kind of value-added telephony services. Some of these companies assigned Completel before several Commercial Courts and asked for its condemnation to the payment of the sums retained by Completel and/or the cancellation of the penalties applied by Completel. The global claim amounts to approximately €900 000, including €850,000 in amounts collected on behalf of these companies.

23.2.5 Dispute with Orange relating to access to the DSL market

On August 5, 2010, Completel filed a claim against Orange before the Paris Commercial Court, claiming damages of approximately €500 million resulting from anticompetitive practices from Orange which would have delayed the access to the DSL market for the competitors of Orange during the years 1999 to 2003. On December 13, 2011, the Paris Commercial Court rejected the request of Completel. Completel appealed this decision. The decision of the Paris Court of Appeal should intervene during the course of the year 2014.

23.2.6 Labor disputes

The Group is involved in a certain number of labor disputes, of which a significant amount result from the last period of substantial mergers in 2006-2007 involving UPC-Noos, which until 2009 gave rise to potentially contentious adjustments and harmonization in labor practices . The claims related to these disputes could amount to approximately €4 million. These disputes largely consist of employees contesting the reasons or the form of their dismissals.

24 Employee benefits

In France, employees of the Combined Group benefit from a retirement indemnity plan. Accordingly, the Combined Group participates in mandatory social security plans organized at the state level, for which contributions expenses correspond to the contributions due to the French state. The plan is considered to be a defined contribution plan as defined in IAS 19. Employees of the Combined Group are covered by the Telecom Industry Branch Social Agreement (''Convention Collective Nationale des Télécommunications'', which determines the amount of retirement indemnity to be paid to the employee upon retirement).

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 Combined Group and salary, according to the terms of their employment agreement.

24 Employee benefits (Continued)

24.1 Assumptions used for defined benefit plans

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Discount rate	3.0%	4.75%	4.75%
Expected salary increase rate	3.0%	3.0%	3.0%
Inflation rate	2.0%	2.0%	2.0%
Turnover—managers (mean)	7.0%	7.0%	7.0%
Turnover—other employees (mean)	15.0%	15.0%	15.0%

The turnover rate can vary significantly depending on length of service.

24.2 Components of Net Periodic Benefit (Cost)

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Service cost	713	660	555
Interest cost	287	263	221
Expected return on plan assets	—	—	—
Recognition of actuarial net (gain) loss	1,496	(244)	281
Past service cost	—	—	—
Amounts recognized due to plan combinations	—	22	58
Curtailments/Settlements	(57)	(145)	—
Net periodic (benefit) cost	**2,439**	**556**	**1,115**
Experience loss (gain) on plan liabilities	1,496	(244)	281
Percentage of present value of plan liabilities	17.7%	(4.0%)	5.1%

Actuarial gains and losses arising from changes in actuarial assumptions are recognized in profit and loss when they are incurred.

Impact of discounting provisions for retirement benefits is recognized in operating income in ''Staff costs and employee benefits expense'' with the related charges.

24.3 Change in defined benefit obligation

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Defined benefit obligation—beginning of year	**6,101**	**5,545**	**3,936**
Service cost	713	660	555
Interest cost	287	263	221
Contributions paid	—	—	—
Amortization of actuarial net gain (loss)	1,496	(244)	281
Benefits paid	(87)	—	—
Past service cost	—	—	—
Amounts recognized due to plan combinations	—	22	58
Curtailments/Settlements	(57)	(145)	—
Defined benefit obligation—end of year	**8,455**	**6,101**	**5,545**

25 Other non-current liabilities

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Non-current deferred revenue (more than one year)	105,791	94,777	101,402
Non-current trade payables	5,175	5,906	6,634
Non-current tax and social security payables	300	300	2,303
Other non-current liabilities	**111,266**	**100,983**	**110,339**

Deferred revenue at the end of the reporting period mainly represents unrecognized network lease revenue.

For certain arrangements entered into with its non-residential customers, the Combined Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements (''IRUs'') and connection fees. For these arrangements, the revenue is generally recognized reliably over the duration of the lease contract.

The non-current part of deferred revenue disclosed in the above table corresponds to revenue that will be recognized in more than one year.

The current-part of deferred revenue (i.e. revenue to be recognized in less than one year) is presented in ''Trade payables and other payables''.

26 Trade payables and other payables

	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Trade payables—general	416,183	424,334	392,170
Trade payables—acquisition of assets	87,145	65,640	69,492
Advances and down payments received	19,884	30,564	34,703
Current accounts payables	21,219	13,062	232
Liabilities related to tax and duties	87,358	64,353	58,927
Corporate and social security contributions	45,871	39,937	38,490
Current deferred revenue (less than one year)	45,319	37,574	36,189
Other payables	3,054	23,206	53,670
Trade payables and other payables	**726,033**	**698,670**	**639,282**

27 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Notes 2.15 and 2.19.

27.1 Fair value of financial instruments

Valuation techniques and assumptions applied to measure fair value for derivative instruments

The fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

27 Financial instruments (Continued)

In accordance with the amendments to IFRS 7, the Combined Group classifies its financial instruments measured at fair value into three levels (the fair value hierarchy):

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 fair value measurements have been used for interest-rate derivatives. There are no significant financial instruments for which level 1 or level 3 measurements have been used and no transfer of financial instruments between levels have occurred.

Fair value measurement other financial assets

Due to their short-term nature, the fair value of cash and cash equivalents, trade receivables and other current receivables and trade payables and other payables, approximates the net carrying amount.

Investments in entities not included in the combination are unquoted equity securities. As a result, their fair value cannot be measured reliably and accordingly, these investments are measured at cost.

Financial guarantees and collaterals

Under the SFA, the assets of the Combined Group have been given as collateral to the bank lenders.

27.2 Financial assets

	December 31, 2012				
			Financial assets at fair value through profit and loss		
	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
	(in thousands of euros)				
Non-current financial assets	35	6,791	—	5	6,831
Trade receivables and other receivables	—	442,020	—	—	442,020
Interest-rate derivatives	—	—	—	—	—
Cash and cash equivalents	—	7,996	—	—	7,996
Financial assets	**35**	**456,807**	**—**	**5**	**456,847**

27 Financial instruments (Continued)

	December 31, 2011				
			Financial assets at fair value through profit and loss		
	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
	(in thousands of euros)				
Non-current financial assets	52	7,396	—	313	7,761
Trade receivables and other receivables	—	362,981	—	—	362,981
Interest-rate derivatives	—	—	—	—	—
Cash and cash equivalents	—	40,580	—	—	40,580
Financial assets	**52**	**410,957**	**—**	**313**	**411,322**

	December 31, 2010				
			Financial assets at fair value through profit and loss		
	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
	(in thousands of euros)				
Non-current financial assets	71	4,920	—	2,380	7,371
Trade receivables and other receivables	—	357,090	—	—	357,090
Interest-rate derivatives	—	—	—	—	—
Cash and cash equivalents	—	30,897	—	—	30,897
Financial assets	**71**	**392,907**	**—**	**2,380**	**395,358**

27.3 Financial liabilities

Except for interest-rate derivatives, financial liabilities are measured at amortized cost, which is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Interest-rate derivatives held for trading are measured at fair value through profit and loss.

27.4 Financial risk management objectives

Objective of the Corporate Treasury function

The Combined Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Combined Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Combined Group's activities does not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Combined Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Combined Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports monthly to the Group's chief operating decision maker, which monitors risks and policies implemented to mitigate risk exposures.

27 Financial instruments (Continued)

Interest rate risk management

The Combined Group is exposed to interest rate risk because the Combined Group borrows funds, mostly at floating interest rates. The risk is managed by the Combined Group through the use of interest rate swap contracts and caps interest rate contracts. Even though the Combined Group does not apply IAS 39 in terms of hedge accounting, hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied, in compliance with the requirements of the SFA.

The Combined Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Combined Group's net income (loss) for the year ended December 31, 2012 would decrease/increase by €13 million. This is mainly attributable to the Combined Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Combined Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Combined Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Combined Group.

Financial instruments that could potentially subject the Combined 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 financial statements, which is net of impairment losses, represents the Combined Group's maximum exposure to credit risk.

As mentioned in Note 19, the Combined Group considers that it has an 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 and located across France. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of credit risk on net trade receivables past due is provided in Note 19.

The Combined Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A−/A3 or above. The Combined Group's enters into interest rate contracts with leading financial institutions and currently believes that

27 Financial instruments (Continued)

the risk of these counterparties defaulting is extremely low, since their credit ratings are monitored and financial exposure to any one financial institution is limited.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the Combined Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. There is currently a claim with Lehman Brothers for a total amount of approximately €11.2 million. In 2012, the Combined Group received a first payment €2.8 million in relation to this claim. Thus a contingent gain of €8.4 million remains for the Company but has not been recognized as at December 31, 2012.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Combined Group's short-, medium- and long-term funding and liquidity management requirements. The Combined Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Combined Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Combined Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Combined Group may be required to pay.

	December 31, 2012			
	Less than 1 year	1-5 years	5+ years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	93,187	1,851,552	855,946	2,800,686
Perpetual subordinated notes	—	—	35,208	35,208
Financial liabilities under finance leases	19,432	6,359	1,527	27,318
Other financial liabilities	2,113	2,012	129,222	133,347
Total bonds and loans	**114,732**	**1,859,23**	**1,021,903**	**2,996,559**
Interest-rate derivatives	—	—	—	—
Deposits received from customers	—	44,517	—	44,517
Bank overdrafts	—	—	—	—
Total financial liabilities	**114,732**	**1,904,440**	**1,021,903**	**3,041,075**

27 Financial instruments (Continued)

Because of the renegotiations that occurred in July and August 2013 as described in Note 32, the schedule of Financial liabilities under the *Senior Facility Agreement*.

	December 31, 2011			
	Less than 1 year	1-5 years	5+ years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	170,300	2,701,109	—	2,871,409
Perpetual subordinated notes	—	—	32,880	32,880
Financial liabilities under finance leases	19,967	7,919	1,712	29,598
Other financial liabilities	1,297	124,931	428	174,214
Total bonds and loans	**191,564**	**2,833,959**	**35,020**	**3,060,543**
Interest-rate derivatives	—	1,106	—	1,106
Deposits received from customers	—	42,896	—	42,896
Bank overdrafts	—	—	—	—
Total financial liabilities	**191,564**	**2,877,961**	**35,020**	**3,104,545**

	December 31, 2010			
	Less than 1 year	1-5 years	5+ years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	186,453	2,870,711	82,792	3,139,956
Perpetual subordinated notes	—	—	30,710	30,710
Financial liabilities under finance leases	9,618	12,384	2,393	24,395
Other financial liabilities	1,097	3,249	115,067	119,413
Total bonds and loans	**197,168**	**2,886,344**	**230,962**	**3,314,474**
Interest-rate derivatives	21,580	6,508	—	28,088
Deposits received from customers	—	50,712	—	42,895
Bank overdrafts	—	—	—	—
Total financial liabilities	**218,748**	**2,943,564**	**230,962**	**3,393,274**

The Combined Group considers that its available cash and cash equivalent balances and the expected operating cash flows to be generated are sufficient to cover its operating expenses, capital expenditures and its financial debt requirements for the next twelve months.

28 Related party transactions

The ultimate shareholders of the Combined Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Combined Group have been eliminated in preparing the Combined Financial Statements and are not disclosed herein. Details of transactions between the Combined Group and other related parties are disclosed below.

28 Related party transactions (Continued)

28.1 Trading and financing transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Combined Group:

	Purchase of goods and services			Amounts owed by related parties			Amounts owed to related parties		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(in thousands of euros)								
Shareholders									
Cinven	610	622	641	—	—	—	—	185	748
Altice	1,214	10,287	13,410	—	—	—	—	—	2,091
Carlyle	600	600	600	—	—	—	450	—	875
Associate									
Alsace Connexia Participation SAS	—	—	—	2,235	2,574	2,518	—	—	—

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (€2,424 thousands in 2012 compared to €11,509 thousands in 2011 and €14,651 thousands in 2010).

The shareholders of the Combined Group also provided several subordinated shareholder financings.

28.2 Related party relationships

(1) Relationships with our Shareholders

Relationships with Altice

On June 30, 2011, we completed the sale of Coditel Belgium and Coditel Luxembourg to a consortium of investors, including Altice, for a purchase price of €369.2 million.

Altice owns cable networks in the French West Indies (*Antilles*). We pay telephony termination fees to such networks for the calls originating from our subscribers to subscribers of such networks, and receive telephony termination fees from such networks for the calls originating from their subscribers to our subscribers.

Finally, Altice owns Auberimmo which is a company that rents infrastructures to the Combined Group. Auberimmo has a sole client, Completel SAS which is a member of the Combined Group.

Relationships with Carlyle

Sagemcom, one of our key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

(2) Relationships with Coditel

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, we entered into a services agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations

Services Agreement

On June 30, 2011, Numericable SAS entered into a services agreement (the ''Coditel Services Agreement'') with Coditel. Pursuant to the Coditel Services Agreement, we will continue to provide Coditel with all the services we were providing prior to its sale, including:

- VOD platform services and VOD content services;

28 Related party transactions (Continued)

- television, IP and voice engineering services;
- support and assistance in purchasing hardware and devices needed for its operations, in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VOD content;
- delivery of television channels signals and existing data flows over our backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in our premises or currently supported from our systems.

In consideration of the services provided, Coditel agreed to pay to us a total of €100,000 per year. In addition, Coditel will pay to us 10% of its monthly VOD revenues.

Trade Mark License Agreement

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the ''Trade Mark Agreement''). Pursuant to the Trade Mark Agreement, we will provide Coditel with a license to use our trademark ''Numericable'', registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, Internet and telephone products and services. The license fee is included in the €100,000 annual fee under the Services Agreement. The Trade Mark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Services Agreement or upon expiry of the Services Agreement.

28.3 Compensation of key management personnel

Compensation of directors and other members of key management personnel (i.e. members of our Executive Committee) during the year was €2,100 thousands, €2,039 thousands and €2,325 thousands for 2012, 2011 and 2010 respectively. These amounts only comprise short-term benefits such as wages, salaries and bonuses.

The Combined Group does not offer any share-based arrangement and employment benefits related to key management personnel are insignificant in aggregate.

29 Leases arrangements

29.1 The Combined Group as a lessor

Finance leases

The Combined Group has not contracted finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the Combined Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

29 Leases arrangements (Continued)

Future minimum rental income under non-cancellable operating leases is as follows:

	Future minimum rental income		
	December 31, 2012	December 31, 2011	December 31, 2010
	(in thousands of euros)		
Not later than 1 year	45,318	38,815	35,459
Later than 1 year and not later than 5 years	40,930	30,621	34,848
Later than 5 years	64,545	62,381	64,214
	150,793	**131,817**	**134,521**

29.2 The Combined Group as a lessee

Finance leases

The Combined Group entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The most significant finance lease arrangements relate to network equipment bought from Cisco and to the property lease for the headquarters offices of the Combined Group in Champs-sur-Marne for which the Combined Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (i.e. a percentage increase).

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(in thousands of euros)			
Not later than 1 year	11,685	20,219	11,302	19,529
Later than 1 year and not later than 5 years	13,883	7,229	12,830	6,621
Later than 5 years	721	928	595	753
	26,288	**28,376**	**24,728**	**26,903**
Less future finance charges	(1,560)	(1,473)	—	—
Present value of minimum lease payments	24,728	26,903	24,728	26,903
Financial liabilities related to finance leases—current portion			11,302	19,529
Financial liabilities related to finance leases—non-current portion			13,426	7,374

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.24% and 3.53% per annum for 2012 and 2011 respectively.

Operating leases

The Combined Group also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicle under operating lease is 3 years.

As part of the networks business, leases involving equipment and networks IRUs (usage rights on local loop, backbone) or other rental contracts (rights of way) were not considered material.

29 Leases arrangements (Continued)

In connection with its entertainment business activities, the Combined Group has also entered into operating leases and agreements to purchase TV programs.

As of December 31, 2012, non-cancellable operating lease commitments amounted to:

(in thousands of euros)	December 31, 2012
Not later than 1 year	5,554
Later than 1 year and not later than 5 years	19,513
Later than 5 years	5,717
	30,784

30 Non current assets held for sale and discontinued operations

This section provides details of the contents of the items relating to the activities of the Combined Group in Belgium and Luxembourg classified as discontinued operations as reported in the Combined Statement of Income and Combined Statement of Cash Flows. As explained in Note 4, discontinued operations correspond to the Coditel subsidiaries in Belgium and Luxembourg.

Details of statement of income items included in discontinued operations in 2011 and 2010 are as follows:

	2011 6 months	2010 12 months
	(in thousands of euros)	
Revenue	31,978	62,256
Operating income	**16,525**	**42,290**
Finance costs, net	(4,074)	(7,800)
Profit (loss) of discontinued operations before tax	**12,451**	**34,490**
Income tax expense	(1,296)	(3,252)
Net income (loss)	**11,154**	**31,237**
Proceeds from the sale of Coditel	118,486	—
Fees paid in connection with the sale of Coditel	(3,580)	—
Net income (loss) from discontinued operations	**126,059**	**31,237**

30 Non current assets held for sale and discontinued operations (Continued)

As at December 31, 2010, assets and liabilities held for sale were presented separately on the face of the statement of financial position and may be analyzed as follows:

	(in thousands of euros)
ASSETS	
Goodwill	210,195
Other intangible assets	1,852
Property, plant and equipment	43,142
Other non-current financial assets	71
Non-current assets	**225,260**
Inventories	539
Trade receivables and other receivables, net	11,095
Income tax receivable	—
Cash and cash equivalents	3,655
Current assets	**15,289**
TOTAL ASSETS	**270,549**
EQUITY AND LIABILITIES	
TOTAL EQUITY	**59,122**
Non-current portion of financial liabilities	156,735
Non-current provisions	2,137
Deferred tax liabilities	3,958
Other non-current liabilities	113
Non-current liabilities	**162,943**
Current portion of financial liabilities	18,765
Current provisions	—
Trade payables and other current liabilities	29,719
Current liabilities	**48,484**
TOTAL LIABILITIES	**211,427**
TOTAL EQUITY AND LIABILITIES	**270,549**

30 Non current assets held for sale and discontinued operations (Continued)

Details of cash flows from discontinued operations in 2011 and 2010 are as follows:

	December 31, 2011 6 months	December 31, 2010 12 months
	(in thousands of euros)	
Net income from discontinued operations	**126,060**	**31,237**
Depreciation and amortization	3,887	4,858
Gains and losses on disposals	(118,501)	116
Other non-cash operating gains and losses	130	—
Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax	**11,577**	**36,210**
Finance costs, net	4,105	7,828
Income tax paid	84	628
Changes in working capital	(15,246)	2,271
Net cash provided (used) by operating activities	**519**	**46,937**
Capital expenditures	(4,776)	(9,696)
Proceeds from disposal of tangible and intangible assets	19	147
Decrease (increase) in loans and other non-current financial assets	—	17
Net cash provided (used) by investing activities	**(4,758)**	**(9,532)**
Cash received from the sale of Coditel	350,184	
Issuance of debt	1,101	2,654
Repayment of debt	(186,684)	(17,035)
Interest paid	(4,105)	(7,828)
Net cash provided (used) by financing activities	**160,497**	**(22,209)**
Net cash flow from discontinued operations	**156,258**	**15,196**

31 Commitments and contractual obligations

31.1 Commitments given

Guarantees in relation to the Senior Facility Agreement

As part of the SFA entered into by the subsidiaries of the Combined Group, the following commitments were given to the lending banks:

- Compliance with financial covenants;
- Stable tax consolidation scope;
- Compliance with conditions governing the acquisition, disposal, use and control of assets.

All the assets of the Combined Group's subsidiaries have been pledged to the banks.

Commitments in relation to business operations

The Combined Group is committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Combined Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Combined Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the company has also entered into outsourcing contracts, particularly for certain network maintenance services.

31 Commitments and contractual obligations (Continued)

In 2010, the Combined Group entered into several long-term MVNO agreements for voice and data transmission with Bouygues Telecom, pursuant to which we provide mobile telephony services to residential customers under our own brand but through the nationwide network of Bouygues Telecom. The agreements relating to voice transmission services are due to expire in 2017 and those relating to data transmission services are due to expire in 2013, and each of these will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiry dates. Pursuant to the financial terms of each of these agreements, we are under obligation to pay Bouygues Telecom a flat fee corresponding to a minimum level of consumption by our end-customers of the relevant voice or data transmission services.

Lease commitments in relation to business operations

As disclosed in Note 29, the Combined Group has entered into various lease arrangements.

Contractual obligations

	< 1 year	Maturity 1–5 years	> 5 years	Total December 31, 2012
		(in thousands of euros)		
Loans and financial liabilities	114,732	1,904,440	1,021,903	3,041,075
Operating leases arrangements	5,554	19,513	5,717	30,784
Total	**120,286**	**1,923,953**	**1,027,620**	**3,071,859**

31.2 Commitments received

The Combined Group has received a commitment of a total amount of €25 million from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Combined Group has already received €23.8 million in principal from GDF Suez as at December 31, 2012.

Within the framework of the transfer of NC Numericable on March 31, 2005 by the groups France Télécom, TDF and Vivendi / Canal+, the transferors granted specific guarantees until 2014 to the Combined Group, including in particular fiscal and social risks as well as specific risks connected to cable networks exploited by NC Numéricâble.

32 Events after the end of the reporting period

Refinancing of the debt in July 2013

In July and August 2013, the Combined Group amended its debt under the Senior Facility Agreements which allowed the Combined Group to reschedule a large portion of its debt.

The new scheduling of the debt under Senior Facility Agreements is as follows:

Maturity	2013	2014	2015	2016	2017	2018	2019	Total
				(in millions of euros)				
	41.7	26.3	63.1	102.2	1,246.7	698.4	584.4	2,762.8

The scheduling of the debt under Senior Facility Agreements before the refinancing which occurred in July and August 2013 was as follows:

Maturity	2013	2014	2015	2016	2017	2018	2019	Total
				(in millions of euros)				
	54.0	125.0	453.9	808.7	465.2	271.6	584.4	2,762.8

32 Events after the end of the reporting period (Continued)

As part of the refinancing of the debt of August 2013, the Combined Group also obtained a new Revolving Credit Facility (the *Revolving Credit Facility)* of €24 million. Thus, the total available under the revolving facilities amounts to €89 million.

In-depth inquiry of the European Commission into transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission indicated that it 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 in line with European Union State aid rules. At this stage, the European Commission has doubts that such aid could be found compatible with EU rules because of the economic advantage that would have resulted from these transfers, depending on their conditions.

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COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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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.

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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

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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

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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

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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

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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, 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**. The decision to implement this plan could be made shortly and, if applicable, submitted to the General Shareholders' Meeting of June 24, 2014.

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.

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.

Note 1. Accounting Principles (Continued)

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 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.

Note 1. Accounting Principles (Continued)

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.

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.

Note 1. Accounting Principles (Continued)

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.

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

Note 1. Accounting Principles (Continued)

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).

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.

Note 1. Accounting Principles (Continued)

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 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.

Note 1. Accounting Principles (Continued)

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.

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.

Note 1. Accounting Principles (Continued)

Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided.

Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.

Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18, and in particular when the content providers are responsible for the content and determine the pricing applied to the subscriber.

The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to ADSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.

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.

Note 1. Accounting Principles (Continued)

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 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

Note 1. Accounting Principles (Continued)

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.
- 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.

Note 1. Accounting Principles (Continued)

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.

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.

Note 1. Accounting Principles (Continued)

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 Netcenter 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.

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

Note 1. Accounting Principles (Continued)

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 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.

Note 1. Accounting Principles (Continued)

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.

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.

Note 1. Accounting Principles (Continued)

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.

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.

Note 1. Accounting Principles (Continued)

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.

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

Note 1. Accounting Principles (Continued)

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.

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

Note 1. Accounting Principles (Continued)

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.

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.

Note 1. Accounting Principles (Continued)

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 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

Note 2. Changes in Combination Scope (Continued)

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.*

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).

Note 4. Operating Income (Continued)

(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.

(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)**

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 €452 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.

Note 6. Income Tax (Continued)

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**

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**

Note 6. Income Tax (Continued)

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.

Note 8. Goodwill (Continued)

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;
- 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);

Note 9. Intangible Assets (Continued)

- 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 €1 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 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

Note 17. Remunerations based on Equity Instruments (Continued)

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:

Range of strike price	Outstanding stock options: Number (in thousands)	Outstanding stock options: Weighted average strike price (in euros)	Outstanding stock options: Weighted average remaining contractual life (in years)	Vested stock options: Number (in thousands)	Vested stock options: Weighted average strike price (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)**

Note 19. Post-Employment Benefits (Continued)

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**

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**	

Note 19. Post-Employment Benefits (Continued)

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.

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,

Note 20. Borrowing and Financial Debt (Continued)

- ○ 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.

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

Note 21. Trade Accounts Payable and Other Payables (Continued)

- 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

	Note	2011 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.

Note 23. Financial Instruments (Continued)

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.

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.

Note 23. Financial Instruments (Continued)

A liquidity schedule is detailed in Note 20.3—Breakdown by maturity of future cash flow linked to borrowings and financial debts.

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.

Note 24. Transactions with Related Parties (Continued)

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.

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.

The schedule of these commitments is as follows:

	Minimum future payments	Schedule: Under one year	Two to five years	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.

Note 25. Contractual Commitments (Continued)

(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.

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.

Note 25. Contractual Commitments (Continued)

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			2012	2011
		Under one year	Two to five years	Over five years		
	(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.

	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)**

Note 25. Contractual Commitments (Continued)

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.

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.

Note 26. Litigation (Continued)

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.

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.

Note 26. Litigation (Continued)

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.

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

Note 26. Litigation (Continued)

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	—	—
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

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
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.

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. 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.

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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€500 million	% Senior Secured Notes due 2019
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€1,000 million	% Senior Secured Notes due 2022
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€1,000 million	% Senior Secured Notes due 2024
$2,000 million	% Senior Secured Notes due 2024

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